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Royal Commission on Banking and Finance

Hearings
held at
Winnipeg

Vol.

10

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April 10, 1962



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ROYAL COMMISSION ON BANKING AND

FINANCE

Hearings held at Winnipeg, Manitoba,
on Tuesday, April 10th,
1962.

THE COMMISSION

The Honourable Dana Harris Porter
Chief Justice of Ontario
Toronto, Ontario - Chairman

Mr. W. Thomas Brown, M.B.E.
Investment Dealer
Vancouver, British Columbia

Mr. James Douglas Gibson, O.B.E.
Banker
Toronto, Ontario

Mr. Gordon L. Harrold
Agriculturalist
Calgary, Alberta

Mr. Paul H. Leman
Corporation Executive
Montreal, Quebec

Mr. John C. MacKeen
Corporation Executive
Halifax, Nova Scotia

Dr. W.A. Mackintosh
Vice-Chancellor
Queen's University
Kingston, Ontario

Mr. H.A. Hampson - Secretary

Mr. Gilles Mercure - Joint Secretary



Winnipeg, Manitoba,
Tuesday, April 10, 1962.

--- On resuming at 9.15 A.M.

THE CHAIRMAN: I will now call the meeting to order. Mr. Roblin, there may be some further questions.

COMMISSIONER HARROLD: I think when we broke off, Mr. Chairman, we were somewhere around page 21 in the brief where Mr. Roblin had just covered the Manitoba Development Fund, I believe. I have one more question. You mentioned in that the Manitoba Agricultural Corporation. Could you give us a little more information as to who it works here in Manitoba.

HON. MR. ROBLIN: Yes, Mr. Chairman. The Manitoba Agricultural Credit Corporation was established about the same time as the Manitoba Development Fund was established but for a different purpose, namely to provide long-term capital to the agricultural industry.

Our studies have have indicated that there was a very considerable shortage in the availability of long-term capital for individual farmers. People who had formally been in the mortgage business had gone out of it because there were more attractive investments, particularly in urban real estate and that kind of thing; and the federal provisions at that time, in particular for long-term loans to farmers, were less than satisfactory in our opinion.

So it was decided to establish this

Tuesday, April 10, 19

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THE CHAIRMAN: I will now call the meeting

to order. Mr. Roblin, there may be some further

questions.

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around page 31 in the brief where Mr. Roblin had

just covered the Manitoba Development Fund, I believe.

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Manitoba Agricultural Corporation. Could you give

us a little more information as to who it works here

in Manitoba.

HON. MR. ROBLIN: Yes, Mr. Chairman

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established about the same time as the Manitoba

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was a very considerable shortage in the availability

of long-term capital for individual farmers. People

who had formerly been in the mortgage business had

gone out of it because there were more attractive

investments, particularly in a real estate and

that kind of thing, and the federal provisions at

that time, in particular for long-term loans to farmers,

were less than satisfactory in our

1 Agricultural Credit Corporation to supply long-term
2 credit requirements and we had two particular aims
3 in mind. The first and the most important one was to
4 supply this credit to beginning farmers. Our analysis
5 of the problem has shown us that the old ways by which
6 young farmers accumulated capital no longer were
7 so helpful as they used to be; that it was no longer
8 possible to hire out as a hired man and through the
9 gradual course of time to develop the resources to
10 go farming by oneself. It required a capital investment
11 probably as high as \$35,000, if I can take a round
12 figure, to set up an economic farming unit.

13 Therefore the beginning farmer was in a
14 difficult position. Even if he was able to take over
15 the farm that his parents had, his father had, there
16 was a necessity every generation of paying off the
17 old generation that the new generation could come in
18 and take over the farming operation.

19 So that was one problem. The second one
20 was to enable farmers that were already in business,
21 so to speak, to keep up with the technological changes,
22 because the technology of agriculture has been
23 changing faster in recent years probably than any
24 other branch of industry that I know of, and it is
25 becoming much more capital intensive. Larger and
26 larger farms for certain types of farming are the order
27 of the day, and even for the smaller type of farm the
28 demand for equipment and machinery for those items
29 that require pretty considerable amount of capital
30 were pressing.



1 Therefore, for these two reasons to get
2 the young farmer off the ground and to enable the
3 farmer in business to make his farm an economic
4 operation, we decided to go into this agricultural
5 credit plan of ours, and it certainly has proved itself
6 to be very useful in the Province of Manitoba.

7 I think there is now after about three years
8 of operation, some \$14 million lent to farmers in this
9 situation, which covers possibly about a couple of
10 thousand of the farms in Manitoba.

11 We operate this plan again at arm's length
12 from the Government. It has its own Board of Directors
13 and its own operations, and although I must admit that
14 some applicants who are turned down come to us for
15 succour or sympathy, all that we are able to do, or
16 that we believe is proper to do, is to ask the Credit
17 Board again to review their case, but their decisions
18 in the matter are final. We like to operate it as a
19 business like proposition and the record of the
20 Agricultural Credit Fund to date as regards repayments
21 is very satisfactory. It was good this year in spite
22 of the drought conditions that were experienced, and
23 we regard this as a successful operation.

24 Since we began the Federal Farm Loan
25 operation has been considerably improved. It has been,
26 perhaps loosened up is the expression I am trying to
27 say, but it has become more helpful, become more
28 practical and its assistance to the farming public
29 of Manitoba has been much greater than it used to be.
30 However, it is not particularly adapted to the young



1 farmers as ours is.

2 We charge an interest rate of 4 per cent
3 for young farmers and 5-1/2 per cent for the other
4 farmers. The Canadian Farm Loans, I believe, are
5 5 per cent, so we encourage those farmers who are not
6 in the young category, which is under 30, to go to
7 the Federal body first, because they get a cheaper
8 interest rate. If they are not able to do business
9 there and they are still a credit-worthy risk, then we
10 take them under our wing here.

11 I wonder if there are any other questions,
12 Mr. Chairman, that I have not covered with respect
13 to this.

14 Rates of interest are presently 4 per cent
15 for young farmers and 5-1/2 for the others. This
16 indicates that there is an element of subsidy in these
17 interest rates, and the Consolidated Fund makes a
18 contribution each year to the Manitoba Agricultural
19 Credit Corporation, but I recognize the fact that their
20 interest rates are less than the market would indicate
21 at the present time.

22 The loans are made for all reasonable
23 farming purposes, such as purchase of land, the
24 livestock or equipment, the construction of buildings
25 and other improvements to the land, and the paying
26 off under certain circumstances of mortgage or other
27 encumbrances on the lands or chattels or the
28 consolidation of liabilities incurred for productive
29 agricultural purposes.

30 The loans are repayable in annual instalments



1 to cover principal and interest, and they may be paid
2 off at any time without penalty being incurred.

3 The terms of the loans vary. The maximum
4 loan to any one individual is \$25,000, and the maximum
5 term is 30 years. Now, when these figures were
6 established they were considerably more advantageous
7 than anything else in the field at that time.

8 Young farmers are those who have not
9 yet reached their 31st birthday at the time they file
10 their application for loan.

11 No loan may be given which exceeds
12 65 per cent of the appraised value of the security,
13 and the value of the land must be at least 60 per cent
14 of the total security, and the remaining 40 per cent
15 may be made up of livestock, farm machinery, but
16 at no time may the value of chattels other than
17 livestock exceed 20 per cent of the total security
18 required.

19 I am sure members of the Commission will
20 recognize that these represent pretty generous terms
21 with respect to those details, and they are, but I
22 must say that our experience to date has been satisfactory.

23 We were guided by the fact that 40 years
24 ago we had a Farm Loan Board in this province and it
25 went broke, to considerable public expense, and one
26 of the lessons we had in mind when we devised this
27 plan was the lesson of that experience, because we
28 hope this will be and we believe it will be a
29 successful operation and it will not incur the amount
30 of losses that were experienced before. Therefore we

1 try to run it on what we believe to be a pretty
2 business like basis and, as I say, the record to date
3 has been satisfactory.

4 COMMISSIONER HARROLD: I notice in
5 paragraph 21 on page 21, you suggest there is one
6 exception in the field of agricultural credit. Would
7 you say that in the field of long-term agricultural
8 credit, agriculture is pretty well taken care of
9 between the federal corporation and your provincial
10 corporation?

11 HON. MR. ROBLIN: Well, I think there
12 has been a dramatic improvement in the last two or
13 three years on both our parts, if I may say so. I
14 think the federal plan has been greatly improved, and
15 I think ours is meeting a real need.

16 It is in the situation really as the
17 Manitoba Development Fund, and that is that we can
18 use more money. We are limited, and there is a certain
19 amount of rationing of this lending going on because
20 we are only in a position to supply relatively small
21 amounts of money annually to this fund of ours. We
22 hope, of course, that the revolving character will
23 begin to come into play before long as this money
24 starts coming back but I think we could use more money
25 in the Agricultural Credit Fund if it was possible
26 within our system or priorities to produce it. We
27 are doing the best we can at the present time, but I
28 think that we would be able to put to good use any
29 extra monies to lend that might be entrusted to us.
30 I think something in the nature of, say, another perhaps



1 \$3 or \$4 million a year going into this fund of ours
2 could be profitably put to use.

3 So we are rationed to some extent due to
4 the necessity of building it up gradually, and if
5 we could suggest to other levels of government that
6 they could give us some elbow room in respect of
7 farms, I am sure it could be put to good use.

8 COMMISSIONER HARROLD: Would you like
9 to say another word on that supplement to your
10 paragraph 21 on your exception here. You suggest
11 that the intermediate credit for livestock is not
12 adequate.

13 HON. MR. ROBLIN: Yes, I am glad that
14 I have the opportunity of referring to that paragraph
15 again, because one of the efforts of the provincial
16 government in the field of agriculture is to try and
17 rationalize the industry, to try and do what we can
18 to give leadership to the farming community to put it
19 into the position to work most effectively.

20 One of the things that we have been trying
21 to do is to help the farm community keep up with the
22 shifting market changes and the shifting technological
23 changes. We have come to the conclusion that it
24 would be advantageous if greater emphasis in this
25 province was placed on livestock rather than on field
26 crops. We have done this because all the indexes
27 that we can study indicated that the future market
28 possibilities for livestock in the North American
29 continent as a whole look very good, and indeed
30 throughout the world. As income standards rise there



1 is this switch from grain to meat as far as diet is
2 concerned.

3 It does represent for us a cash crop in
4 the way that, until the Hon. Alvin Hamilton and his
5 helping force the other day, was pretty difficult, as
6 we grew lots of wheat and could not find anything
7 to do with it. Happily at least for this year the
8 situation is not in that case, but I think long-term
9 indications for agriculture in Manitoba would show
10 that the prospects for the livestock industry are perhaps
11 the best of any in the agricultural field.

12 One of the things we have been trying to
13 do is to make this clear to our farming people and
14 to encourage them to draw the logical conclusions
15 to get into livestock and into provision of fodder and
16 feed as much as possible to support a sound livestock
17 industry.

18 That of course is an area in which short-
19 term credit is required. There has been some effort
20 made particularly by the Manitoba Pool Elevators,
21 and I think a very good effort, to provide their own
22 intermediate term capital by forming small groups of
23 farmers in each pool area that is interested in this,
24 to work together providing money and providing
25 management advice, to provide this intermediate
26 credit to improve the livestock industry in that
27 particular area. I think the experiment has been
28 working very well, but we do feel though the need for
29 larger supplies of intermediate credit to support this
30 new development of livestock in the agricultural



1 livestock industry.

2 I am not able to give the Commission
3 statistics on this, because it is a pretty new develop-
4 ment with us, and we have not yet been able to
5 grasp the size of this need or to pinpoint it as
6 accurately as we should wish, but we can see this
7 coming up. This is something we have got to deal
8 with, and this is a place where we think more credit
9 would be desirable.

10 I rather imagine that one of the best ways
11 to approach it would be through the banking system
12 in the same way as we have the Farm Improvement
13 Loans. It might be that would provide a pattern
14 that could be followed in supplying that kind of
15 credit.

16 This situation underlines the situation we
17 meet of having agricultural experts within the chartered
18 banking framework, because something of the kind
19 of information that these men have is necessary, I
20 think, if bankers are going to be able to appraise the
21 credit-worthiness of particular farmers in a livestock
22 situation. I think there might be the possibility of
23 using the model of the Farm Improvement Loans to
24 supply this intermediate credit to the livestock
25 industry through the chartered banking system. That
26 is one way of approaching it at least.

27 THE CHAIRMAN: Can you say anything
28 about financing of mining in Manitoba? Does that
29 follow this same pattern as it does generally through-
30 out the country.

1 HON. MR. ROBLIN: I don't know of any
2 particular local differences in respect of mining in
3 this province. In this province it has become, I am
4 afraid, it is becoming more and more the preserve
5 of the very large corporation, and there is quite a
6 natural reason for that. The over-burden of the
7 Pre-Cambrian Shield in Manitoba is very thick.
8 Consequently the difficulties of prospecting are
9 greater than in areas where the over-burden does not
10 exist or where it is relatively thin. A great deal of
11 drilling has to be done or exploration has to be
12 done through this blanket which is lying at the top
13 of the rock. This has called for rather expensive
14 methods^{of}/prospecting.

15 That is a general statement. It is also
16 true that many of our original indications of ore
17 values were found by the individual prospector in the
18 traditional way. Flin Flon certainly and I think some
19 of the indications around Thompson as well, but the
20 large-scale exploitation of these indications has
21 usually, been undertaken by well-financed big companies
22 such as International Nickel and Noranda and Hudson's
23 Bay and others of that sort.

24 So it has become as far as I can tell, and
25 I must admit that I am far from an expert in this field,
26 an area in which the larger companies seem to have
27 a decided advantage because of the high cost of
28 proving up areas which might look interesting at first
29 glance.

30 The mining developments in the province

1 have , with very few exceptions, been undertaken by
2 these larger companies, and I think that that will
3 probably be the pattern that we see developing in the
4 future.

5 THE CHAIRMAN: You have a Securities
6 Commission, of course, haven't you.

7 HON. MR. ROBLIN: The Public Utility
8 Board here has a branch which does handle securities.

9 THE CHAIRMAN: Are they chiefly concerned
10 with mining issues?

11 HON. MR. ROBLIN: Well, I think there
12 are mining issues, but I do not think that it occupies
13 the same bulk as in Ontario.

14 THE CHAIRMAN: They are not of such
15 magnitude as elsewhere.

16 HON. MR. ROBLIN: No, I don't think so.

17 THE CHAIRMAN: Because of the large
18 corporations?

19 HON. MR. ROBLIN: That is right.

20 THE CHAIRMAN: Entering the field?

21 HON. MR. ROBLIN: That is right.

22 THE CHAIRMAN: For the reasons you
23 mentioned?

24 HON. MR. ROBLIN: That is right.

25 THE CHAIRMAN: I don't know whether you
26 have any views as to the possible values of something
27 similar to the Securities Exchange Commission in
28 Washington, that is, a national securities commission
29 for Canada that has been mentioned to us at various
30 places already. I wondered whether you had any views

1 one way or the other on that sort of thing.

2 HON. MR. ROBLIN: I just have what one
3 might call a general reader's opinion on this problem.
4 It does not appear to be a problem with us in Manitoba.
5 I think I appreciate from reading the papers that it
6 sometimes is in other parts of the country. We do not
7 feel that we have any sort of problems in this
8 connection that have identified themselves so far.
9 However, I must admit that probably our securities
10 operation here is a very small one, and we may not
11 have the experience or the background possibly to
12 add very much to discussion of the problem.

13 COMMISSIONER GIBSON: Premier Roblin,
14 I would like to ask you a few questions about the
15 financial requirements and the needs of financing
16 for the province. Many of these I touched on a little
17 in the brief but what I would really like to ask you
18 is for an elaboration of some of these. On page 5
19 you mention that the capital requirements of the
20 province and its agencies have been running in the
21 last few years at something approaching \$100 million
22 a year and you suggest that this kind of a figure may
23 actually become a little lower than that this year.
24 I take it this includes all the provincially owned
25 utilities, the Power Corporation and the Telephone
26 Company?

27 HON. MR. ROBLIN: I should just make
28 one observation about the figure I have mentioned in
29 the brief. That is based on our recent experience.
30 However, we are hoping to initiate the development

the other on that sort of thing.

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one observation about the figure I have mentioned in

the brief. That is based on our recent experience.

1 of the Nelson River for hydro-electric purposes and
2 if we do that it will probably double our requirements.
3 That is not yet firm fact so one can only say it is
4 probable but disregarding that the \$100 million figure
5 is our requirement.

6 COMMISSIONER GIBSON: Well now, looking
7 at the last few years, how you have you generally
8 financed this as between current revenue, internal
9 sources and public issues?

10 HON. MR. ROBLIN: Talking, for example,
11 about utilities which do have internal reserves -- I
12 cannot give you the figures although we have them
13 available but I think a pretty substantial percentage
14 of our requirements have been met internally through
15 the generation of reserves and depreciation funds
16 and that kind of thing. But I am sure we can give the
17 Commission the details of that if they would like to
18 have it.

19 Disregarding that, we have run into a
20 period of anxiety about the availability of these funds
21 years ago, however, and we thought that tight
22 situation might be a hindrance to us. However, I might
23 say that in the last year -- I again say to my surprise --
24 the supply of capital within Canada for our purposes
25 has been excellent and we have had no trouble what-
26 soever in raising the funds that we need within our
27 borders. We do not like the interest rate, I do not
28 think any borrower ever does. We think it is too high
29 and we would like to see it come down a quarter of
30 a point or three-quarters of a point but I must say in

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COMMITMENT

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the supply of capital will be there for our company
has been excellent and we have had no trouble - which
seems to indicate that we need not worry
We do not have the internal funds I do not

this

1 recent years the supply of money, and indeed the
2 interest rates, have been better than we had expected
3 so I must say we have no current problem in that
4 respect. At one time there, two or three years ago
5 the situation was not quite so rosy and at that time --
6 there only was one to one and a quarter to one and
7 a half per cent interest differential in the rate as
8 between the American and the Canadian market and
9 at that time we borrowed approximately \$25 million
10 in the American market at a substantial interest saving,
11 so substantial that we could face pretty drastic
12 variation in the exchange without losing any money.

13 COMMISSIONER GIBSON: What sort of
14 measure did you take when you made that?

15 HON. MR. ROBLIN: We assumed an 8 to
16 10 per cent swing in the exchange as being something
17 that could be handled by us. But we have another line
18 of defence that we fall back on because we recognize
19 that in those foreign dealings you have an exchange
20 risk to take care of so we have considerable funds
21 which we invest, sinking funds, which we had to
22 provide not only for this issue but others and we have
23 now, or at that time and have now a considerable
24 number of Canada-United States pay securities which
25 we can use for the sinking fund purposes and this
26 is not a complete hedge against exchange swing but
27 it is, however, a measure of protection by investing
28 some of our sinking fund into Canada or United States
29 pay securities and we have done that and we feel that
30 in spite of the exchange swing we have quite a fair

1 hedge against that eventuality.

2 Today, however, the interest gap has
3 closed considerably, I guess it is about three-quarters
4 of a point and we do not feel as a matter of policy
5 that that represents a sufficient inducement for us
6 to go to the United States at the present time.

7 COMMISSIONER GIBSON: But you thought
8 of the exchange rate as to whether or not you went to
9 the United States?

10 HON. MR. ROBLIN: Yes

11 COMMISSIONER GIBSON: It is a good deal
12 lower but the spread is narrower too.

13 HON. MR. ROBLIN: Yes, it is. However,
14 you must remember that we have received a pretty
15 forceful reason from the monetary authorities to stay
16 in Canada and we felt unless there were over-riding
17 reasons of very considerable force we ought to pay some
18 attention to that.

19 COMMISSIONER GIBSON: You say you have
20 generally found it satisfactory in the last year?

21 HON. MR. ROBLIN: Yes, we reserve our
22 freedom to act in this manner because we have no control
23 over fiscal policy and we feel we have to consider our
24 own interests in the matter but while reserving that
25 freedom we try, unless there are very good reasons why
26 we should not, at the present time to stay with the
27 Canadian market and so far we have found it satisfactory.

28 COMMISSIONER GIBSON: One other form
29 of financing is the savings bond. Could you say a
30 word or two about the considerations that you had in



1 issuing savings bonds? Do you have any limits in
2 mind as to their issue?

3 HON. MR. ROBLIN: We went to the savings
4 bond idea for more reasons than one and some of our
5 reasons had nothing to do with monetary policy or
6 fiscal policy at all but were really for psychological
7 reasons and that is, we thought that there ^{were} considerable
8 untapped reserves of capital in the Province of Manitoba
9 which could be attracted into investment in the utilities
10 of this province. It seemed to us that it would be a
11 good thing to have our people put their money where
12 their heart is, so to speak, and make it possible for
13 them to invest their savings directly in the Province
14 of Manitoba.

15 Whether that is a good idea or not is open
16 to question but it seemed to us to be a good idea and
17 was worth giving a thought to. We thought it
18 dramatized to our own people their responsibility in the
19 welfare of the province. If we were asking other
20 people to put money in the least we could do was to
21 see that our own people did the same. That was one
22 of the main reasons which suggested to us that we
23 should adopt this savings bond idea to permit our own
24 people to invest in Manitoba which would be a
25 demonstration of their faith in the province and through
26 the use of their savings would come the development of
27 that social character which we were talking about
28 yesterday.

29 We went ahead -- and we did not lose
30 sight of this fact, either. It turned out that under the



1 circumstances it was economical for us to do this as
2 well because we had issued these bonds, the first
3 issue was at a 5 per cent rate and a slight balloon
4 at the end. It is a 10-year term and cash demand after
5 six months and limited to \$25,000 per Manitoban.
6 It is limited to Manitoba citizens and Manitoba
7 corporations. We have \$41 million in the first issue
8 of last year and we find that the redemption rate is
9 quite satisfactory. I think we have redeemed about
10 \$2 million, \$2-1/2 million, somewhere in there, a
11 reasonable turnover rate, not unmanageable and not
12 unexpected and the second issue that has just been
13 closed was for 4-3/4 per cent and we sold about \$21
14 million of those and as far as we can tell they are
15 well placed and they are in the hands of people who
16 are going to basically keep them and it has been a
17 very satisfactory development.

18 Now, you asked me how much of our
19 indebtedness should be in this form because it is a
20 cash security and I think we have to make sure that
21 we do not get too much money in this form and that
22 we do have adequate liquid reserves available to meet
23 any run on the bank. We believe that we have those
24 reserves available and I would think that the top
25 limited for Manitoba under present circumstances and
26 in relation to our other debts would probably be in the
27 order of \$100 million. I do not think I would care to
28 go much higher than that in this form of public issue.

29 COMMISSIONER GIBSON: When you say,
30 sir, that you thought this was a useful way of mobilizing

1 the savings of the residents of the province I take it
2 that you put the demand feature into these bonds
3 because of the competition with Canada Savings Bonds?

4 HON. MR. ROBLIN: Yes, that certainly
5 was one reason why it was there and I must say that
6 I also recognized too, as mentioned in the brief,
7 namely, the relatively conservative investment habits
8 of our people and it seems to me to make a success
9 of this I think it should be on all fours with the
10 Canada Savings Bonds.

11 You may ask us about how much turnover
12 do we get from Canadas into the Manitobas. We did
13 get some turnover but not out of proportion on the
14 first issue.

15 COMMISSIONER GIBSON: Do you find
16 any effect on the local market for your fixed -term
17 bonds?

18 HON. MR. ROBLIN: We have had no adverse
19 effect on any other securities whatever.

20 COMMISSIONER GIBSON: If you regard
21 these as demand obligations which they are legally
22 you are paying quite a lot of money for short-term
23 money if you want to look at it that way?

24 HON. MR. ROBLIN: You do if you get too
25 rapid a turnover. We made an enquiry about that from
26 the Province of British Columbia who have had one of
27 these issues before and while we got nothing very
28 solid from them we did get the feeling that they had
29 no great problem about turnover. Our experience has
30 been pretty good.

1 COMMISSIONER BROWN: You mentioned
2 the figure of \$100 million. On what sort of basis
3 did you arrive at that guesstimate or estimate?

4 HON. MR. ROBLIN: Well, we regarded
5 it in comparison with the general volume of our long-
6 term debt. We are really running three kinds of
7 indebtedness of this sort. We have our Treasury bills
8 which are all 90 days. We sell Treasury bills such
9 as the Canada Treasury bills on the market on a certain
10 basis every week and we expect to float about \$13
11 million.

12 Then, we have a certain amount in what
13 is our theoretical demand money but much of it I think
14 will be from 10-year money in savings bonds and then
15 we have our 20 or our 25-year long-term investments
16 and we just have nothing but a rule-of-thumb in
17 planning this investing and it seems to us under the
18 circumstances that the balance I did mention would be
19 about right in respect of this matter.

20 Another consideration, of course, is the
21 amount of liquid reserves we have to back up the
22 savings bonds and as our arrangement stands I do not
23 think the required reserve would justify us in extending
24 beyond the \$100 million limit. I would say with
25 respect to bank line credit we have about a four to
26 one ratio there and I think that is what we ought to
27 stick with.

28 COMMISSIONER BROWN: Are you going
29 ahead with these Treasury bills that are earning up to
30 \$13 million in the province?

1 HON. MR. ROBLIN: Well, we would
2 hope to keep on renewing them every week. So far
3 we have been able to do that and some day we are
4 hoping to double them. If we work on a \$1 million
5 basis every week which averages out to \$13 million,
6 we have got a chance then for a year. Saskatchewan
7 and ourselves took the plunge to see if it is a good
8 gamble and at, as a matter of fact, a substantial
9 interest saving and it may be that after the first \$13
10 million is properly absorbed without difficulty we might
11 increase that by doubling it. That is as far as we have
12 thought of going at the present time, to \$13 million.
13 That is our float for the present time.

14 COMMISSIONER MacKEEN: Mr. Premier,
15 you touched on one source of credit yesterday. I
16 refer to the Community Development Corporations
17 which perhaps you would care to enlarge on a little
18 bit as to their function and how they operate?

19 HON. MR. ROBLIN: These corporations
20 are sponsored or stimulated by the Department of
21 Industry and Commerce in our government here. What
22 they do, is very simple. They simply make a suggestion
23 to a particular community -- for example, I will take
24 one which has been extremely successful, Carberry,
25 a little town of 500 people, and they say: "This town
26 is not going anywhere. If you want this to grow and
27 not have all your young people growing up and going to
28 Winnipeg or Toronto, you had better do something about
29 it. What we suggest you do is you show that the
30 people of this community are interested in development



1 by putting up your money, form a community develop-
2 ment corporation in this town and raise \$55,000 or
3 %60,000 or whatever amount you can and then start
4 looking around for something to do with it when you
5 get it raised."

6 We found that the people responded
7 magnificently. These corporations are set up and the
8 local leaders took over and they started looking for
9 some industry to bring into their town. Naturally
10 they go to the Department of Industry and Commerce
11 which has the know-how and actually they are
12 specialists, they are supposed to have it, and after
13 forming a development corporation they find some
14 prospect, either some established business which
15 would be interested in moving to that community
16 or some local person who has an idea and they back
17 him and he gets going. If they need any more money
18 than they have got they can go to the Development Fund
19 and get more money. They might spend their money
20 in buying up buildings, in supplying machinery or
21 any kind of activity that might be needed or indeed
22 for some new industry of this sort and in that way can
23 secure what is so important and that is the interest
24 and concern of the people in the community. These
25 average people who have an idea come from below,
26 so to speak, rather than being imposed by somebody
27 from above but when you get these corporations made
28 up sometimes the government can co-operate with and
29 discuss with prospective industry and co-operate that
30 way with them and this has been quite a valuable

1 process and it is growing in the province.

2 COMMISSIONER MacKEEN: Would it run
3 along parallel lines with the Agricultural Credit
4 Corporation in the community if they were financing
5 farm machinery or the like?

6 HON. MR. ROBLIN: Well, not really.
7 I think the Agricultural Credit deals with individual
8 farmers and as such is a sort of separate concern and
9 there is really no tie-in between the Community
10 Development Corporation and the Agricultural Credit.
11 The tie-in is with the Manitoba Development Fund.
12 But we get, for example, at Carberry, they took over
13 the old airport that was left over from war days and
14 nothing had been done with it for 20 years and they
15 took it over and they introduced somebody into one
16 of the buildings who makes wallboard out of straw.
17 They are in one of these big hangars that the Community
18 Development Corporation purchased in the community.
19 It is a little business employing a few people.

20 There is another activity of the same type
21 that makes use of local materials. I cannot recall
22 at the moment. Where they hit the jackpot, however,
23 was in the growing of potatoes. They found that that
24 was a good potato growing area with good supplies
25 of water and they were able to induce in co-operation
26 with the government activity a very large processor
27 of potatoes to come in. He has set up a plant that is
28 going to employ hundreds of people on the farms to
29 grow potatoes. I hope by next year when the people
30 wish to purchase powdered potatoes in Toronto or



1 Vancouver that they will come from Carberry and it
2 will have national distribution. When that happens
3 the potato company has made arrangements with a
4 very large vegetable canning company to also come in
5 on this proposition so that from this little tiny
6 community development corporation that put up
7 \$50,000 or \$60,000, along with the efforts of the
8 Government Development Fund we have got quite a
9 little corporation processing potatoes and growing up
10 with the town of Carberry. I must admit that is the
11 most successful of these operations but it indicates the
12 sort of thing that can be done and incidentally the
13 Carberry people recently declared a 6 per cent dividend
14 so that today this particular community has received
15 an enormous stimulus. There are several other towns
16 which have made fair progress as well along that same
17 general line, and we think it is a very fruitful way
18 of mobilizing the initiative of the people themselves.

19 COMMISSIONER MacKEEN: Has the
20 Development Corporation any power of veto on the
21 ideas they have if they appear to be unworkable and
22 unfeasible?

23 HON. MR. ROBLIN: The Department of
24 Industrial and Commerce does really provide practically
25 all of the know-how and experience, and the practicality
26 and business-like -- possibilities of these various
27 projects and they, I think, point out any ideas that
28 are a little bit hare-brained, and try to steer these
29 corporations into productive lines. But, of course,
30 the Manitoba Development Fund looks at the proposition

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very large vegetable canning company to also come

on this proposition so that from this little tiny

community development corporation that put up

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all of the know-how and experience, and the practical

and business-like -- possibilities of these various

projects and they, I think, point out any ideas that

little bit more refined, and try to steer these

1 strictly from a dollars and cents point of view,
2 and no matter what the other considerations are,
3 they say, if it is not going to be practical, "We cannot
4 put our money into it and we don't think you should
5 either." So, up to the present we haven't had any
6 difficulty in that regard.

7 COMMISSIONER MacKEEN: What would
8 the amount be being raised in that way province-wise?

9 HON. MR. ROBLIN: I haven't the figures
10 here. There are some 26 of these corporations going
11 and some of them have raised money because they had
12 a reason for doing so. Others are still looking around
13 to find out what the possibilities are and then, when
14 they see one, they will start raising their money.
15 The best guess I can give would be several hundred
16 thousand dollars. That is the best guess I can give
17 you; I haven't got the actual figures.

18 COMMISSIONER GIBSON: Premier Roblin,
19 I would like to ask you another short group of
20 questions about the matter of the provincial financing
21 decisions and how they are affected by credit conditions
22 and monetary policy. Would you care to comment on
23 this subject perhaps under certain heads, like: Is your
24 current budget affected much; the capital plant or
25 provincial utilities?

26 HON. MR. ROBLIN: With respect to
27 national monetary policy?

28 COMMISSIONER GIBSON: Yes. Let us
29 talk first about tight money when interest rates get
30 relatively high.



1 HON. MR. ROBLIN: Well, up to the
2 present time our current financial policy is decided
3 in a very simple way indeed, and that is, we estimate
4 the amount of revenue we are going to get from the
5 tax structure we have and that is the way we decide
6 how much we are going to spend. One can only do
7 that if the current revenue structure has been sufficiently
8 buoyant to provide enough funds for those essential
9 matters of government responsibility which we have
10 to think about. Fortunately, since I have had
11 responsibility for doing so the revenues of the province
12 have been rising quite rapidly on the same tax base,
13 and we have been able to make a very considerable
14 increase in public expenditures, particularly in
15 education which is our main responsibility, without
16 the necessity of getting more money from the tax-paying
17 public.

18 COMMISSIONER GIBSON: You mean without
19 the need of raising rates?

20 HON. MR. ROBLIN: Yes, without raising
21 taxes. There is one instance in which we have had
22 a raise in taxes, and that is in connection with the
23 hospital plan where it was found the rate of premium
24 we were charging was too high. It could not be
25 consciously recommended as a premium for everybody
26 to pay -- \$72 a year -- and we have reduced that
27 to \$48 a year and picked the extra we need by a
28 surtax on provincial incomes and provincial
29 corporations. This was made possible, of course, by
30 the recent tax collection agreements. That is why the



1 premium got up so high because we could not get at
2 the income taxes and corporation taxes. When we
3 had the opportunity, we shifted part of that onto
4 the corporation taxes in order to get the hospital
5 premium within bounds.

6 There is one other area in which there
7 has been a tax increase, and that is in connection with
8 gasoline. When we came in we made a study of the
9 road needs of the province and got a staggering report
10 from the experts as to the amount of money required
11 to bring it up to date, and in order to finance that
12 we made a 3 cent increase on gasoline tax and an
13 increase on the diesel tax as well.

14 Apart from those changes, we have been
15 operating on the same tax structure for some little
16 while, and it has been sufficiently buoyant to take
17 care of the needs of the province. There are always
18 ways and means of spending more money. I have been
19 listening to my colleagues in the Legislature giving
20 me a thousand good ideas on how to spend more money,
21 and many suggestions are worthwhile but you have to
22 weigh it up against the competing claims of the tax-
23 payer.

24 COMMISSIONER GIBSON: When interest
25 rates are high business is usually good.

26 HON. MR. ROBLIN: Yes.

27 COMMISSIONER GIBSON: Therefore, your
28 revenues are probably good, and I presume you have
29 had more tendency to run a current surplus on those
30 occasions than on other occasions?

1 HON. MR. ROBLIN: Well, we have always --
2 in the way we keep our books, and each province has
3 a different way -- on our method of keeping our
4 accounts we run surplus on current account, but we
5 do borrow, particularly for roads.

6 COMMISSIONER GIBSON: Yes.

7 HON. MR. ROBLIN: We do borrow for
8 roads and, of course, the hydro and telephones, and
9 the capital monies to support the two credit institutions
10 we have talking about. We rationalize it in this
11 way: We say with respect to telephones and hydro
12 and our water supply board, which is another public
13 utility we operate, that these all pay their way. The
14 consumer pays for the gas and electricity and water
15 and telephone service, and while we are responsible
16 for raising the money either directly or indirectly
17 they are self-supporting and their debts comprise
18 the biggest portion of our debt responsibility. With
19 respect to roads, which is our major borrowing area,
20 we take the view that the amount of extra revenue
21 that good roads generate, with the gasoline tax and
22 diesel fuel tax, while not making them as self-supporting
23 in the orthodox sense, nevertheless gives them quite
24 a flavour of being self-supporting. In fact, in some
25 of the American states they operate in that way by
26 setting up highway commissions which borrow money
27 and have the tax money coming in to them, and they
28 really do operate on a self-supporting basis like a
29 utility, and it is possible to conceive of us doing
30 the same thing. We don't think it is necessary, but we

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1 do think there is quite an element of self-support
2 in capital investment in highways on account of the
3 revenue they generate.

4 That is roughly our philosophy on borrowing.

5 COMMISSIONER GIBSON: Would you tend
6 to cut back the road programme when interest rates
7 are unusually high?

8 HON. MR. ROBLIN: It would depend on
9 the circumstances. Up to the present I would say no,
10 the reason being that our road system was so particularly
11 out of date we needed to catch up, and we have been
12 investing more in our roads annually than we would do.
13 Our hope would be in the next year or so we would
14 be past that stage and might proceed to a more normal
15 stage of road development.

16 COMMISSIONER GIBSON: Then, would you
17 be more sensitive to interest rate changes?

18 HON. MR. ROBLIN: Yes, much more.

19 COMMISSIONER GIBSON: How about the
20 provincial utilities? You suggest there isn't too
21 much variation in those expenditures related to
22 interest rates?

23 HON. MR. ROBLIN: No, I don't really
24 think so at all. In hydro electric business, interest
25 is enormously important, but even so you have got to
26 make the investment because what utility is going to
27 let the lights be turned off?

28 COMMISSIONER GIBSON: But there is a
29 certain latitude -- if you postpone the work for six
30 months ...?

1 HCN. MR. ROBLIN: Yes, that is true;
2 you can postpone it within short limits. The trouble
3 is you never know what is going to happen to the
4 market, and we have followed the policy that we try
5 to keep sufficiently ahead of our needs where we are
6 not in a position that we must go to the market regard-
7 less of interest rates. So far we have been, within
8 limits, going to the market when our pattern indicated
9 we should rather than trying to outguess the markets
10 with respect to interest rates, because we found our-
11 selves quite unable to outguess it. Fortunately, it
12 has been moving in a satisfactory direction recently
13 and all our guesses have been good ones, but, it
14 could go the other way.

15 COMMISSIONER GIBSON: From what you
16 said earlier I rather gather that some of the agencies
17 such as the Development Fund and the Agricultural
18 Lending Organization might find its funds cut when
19 money was scarce -- that would be when interest rates
20 were high?

21 HON. MR. ROBLIN: Not really from that
22 point of view. The way we feel ourselves under some
23 control is our estimate of how much money the market
24 is going to supply to Manitoba as a whole. We
25 realize we are in the market with all the other
26 provinces of Canada and the Dominion Government and
27 a good many other people, and the willingness of the
28 investing public to invest in Manitoba utilities is
29 not unlimited. We take advice from people knowledge-
30 able in the market as to how much money they think



1 people will be able to invest in Manitoba this year.
2 If it is \$100 million, for example, we ration our
3 requirements within that total, and things like the
4 funds I have mentioned have a lesser priority, it
5 must be admitted, than the utilities have. If we have
6 to squeeze some place, they are the ones that probably
7 get the squeeze. I am not certain that our approach
8 to this is the best or the only approach; I would be
9 glad to have any advice the Commission can give me,
10 but we have taken the view we have to tailor our
11 total demands on the market to bring it within
12 reasonable limits. Otherwise we run the risk of
13 over-staying our welcome in any one year. We are
14 anxious to see our issues are favourably received and
15 have a good reputation.

16 COMMISSIONER GIBSON: I take it your
17 estimate of how much you could reasonably go to the
18 market for in any given year would be affected by
19 interest rates and credit conditions; in other words,
20 we have had some years when money was harder to
21 raise than others; is that fair?

22 HON. MR. ROBLIN: Yes, that is a fair
23 statement.

24 COMMISSIONER BROWN: Has the interest
25 rate ever forced you, or have you ever made a decision
26 as between capital intensive hydro-electric development
27 and other forms of power development?

28 HON. MR. ROBLIN: Yes, in deciding
29 what to do about hydro-electric expansion the interest
30 rate is very carefully looked at. It shifts us from a

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rate is very carefully looked at. It shifts us from a



1 hydro development, say, into a thermal-electric
2 development -- from a steam plant into a water power
3 plant or vice versa. That is, in my small experience
4 in the matter, where the rate of interest does become
5 important -- when you decide which form of electric
6 development energy you are going to invest in.

7 THE CHAIRMAN: Have you a thermal power
8 station?

9 HON. MR. ROBLIN: Yes, we have: We have
10 one at Selkirk and one at Brandon, and they usually
11 burn Estevan lignite or bituminous, but they can burn
12 gas and they are used as standby plants to^{take}/care of
13 our peaking requirements.

14 THE CHAIRMAN: You have not any that
15 are substitutes for water power installations?

16 HON. MR. ROBLIN: Not at present.

17 THE CHAIRMAN: Because of interest rates?

18 HON. MR. ROBLIN: Not at the present
19 time. We had to face this decision when we went to
20 Grand Rapids which is our latest development -- about
21 130 million: We did there seriously consider the
22 pros and cons of steam generation versus hydro
23 generation when we took the plunge at Grand Rapids,
24 and had interest rates at that time been half a point
25 higher we would have been compelled to go to the
26 steam plants. But in my mind, fortunately, it didn't
27 come to that and we were able to justify the Grand
28 Rapids investment instead.

29 COMMISSIONER GIBSON: Would you care
30 to say a word about the effects of credit conditions on



1 municipalities here.

2 HON. MR. ROBLIN: I think I have made
3 some comments on that. I wonder if there is anything
4 I can usefully add. The municipalities in Manitoba
5 were having a very hard time borrowing money,
6 particularly the small ones or the smaller school
7 districts. However, I have to report that the situation
8 is greatly improved because, I think I said the other
9 day, there are several reasons for that. Some we had
10 a part in and some not, but an investment community
11 came out to visit our area to try and assess for
12 themselves the credit standing of these places by
13 personal inspection and I think that is very useful.
14 The Municipal Board has devised a system of providing
15 information when these things are put out to tender,
16 and the province has entered into these trustee arrange-
17 ments that in effect guarantee the interest and principal
18 on these bonds. At the same time you have had a
19 general improvement in the money market over the
20 last year or so, which we had nothing to do with.
21 All these things put together have meant our municipalities
22 are not really in difficulty in respect of borrowing at
23 the present time. The Metropolitan Corporation
24 yesterday floated some \$6 million -- not very much --
25 on 20 and 10-year terms at an average interest rate
26 of 5.2 something, which is not bad, and therefore one
27 should recognize that fact. Our main point with
28 respect to municipal financing is ways and means of
29 getting the money at cheaper rates which we went into
30 quite thoroughly yesterday.

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MR. ROBIN: I think I have made some comments on that. I wonder if there is anything I can usefully add. The municipalities in Manitoba were having a very hard time borrowing money, particularly the small ones or the smaller school boards. It is greatly improved because, I think I said the other day, there are several reasons for that. Some way or a part in and some not, but an investment community came out to visit our area to try and assess for themselves the credit standing of these places by personal inspection and I think that is very useful. The Municipal Board has devised a system of providing information when these things are put out to tender and the province has entered into these trustee agreements that in effect guarantee the interest and principal on these bonds. At the same time you have had a general improvement in the money market over the last year or so, which we had nothing to do with. All these things put together have meant our municipalities are not really in difficulty in respect of borrowing at the present time. The Metropolitan Corporation yesterday floated some \$25 million -- not very much -- on 20 and 10-year terms at an average interest rate of 5.2 something, which is not bad, and therefore should recognize that fact. Our main point with respect to municipal financing is ways and means of getting the money at cheaper rates which we want in

1 COMMISSIONER GIBSON: I was thinking
2 of the variation in the problems of the municipalities
3 as the result of tight or easier money conditions,
4 rather than the underlying change which you did
5 describe yesterday. For instance, do you see much
6 evidence of ratepayer resistance to higher levels of
7 expenditure when interest rates are high?

8 HON. MR. ROBLIN: Generally speaking,
9 I would say no, because on most occasions the rate-
10 payer is being asked to put up money for more schools
11 and, God bless him, he seldom fails to respond
12 regardless of the interest rate.

13 COMMISSIONER LEMAN: Mr. Premier,
14 in another province that spoke to us there was quite a
15 point made in the discussion of the possibility of
16 using public works as a type of pump priming weapon,
17 and the argument that was made in the province was
18 the argument about leakage. Should I explain what
19 they meant by the word "leakage"?

20 HON. MR. ROBLIN: Yes. That has no
21 financial indications to me whatsoever.

22 COMMISSIONER LEMAN: Their argument
23 was that by going into public works, not much of the
24 financial benefits of the undertaking stayed within
25 the province, that they had to import too much in the
26 way of skilled labour or materials and machinery etc.,
27 and the benefits went out of the province. What would
28 be your reaction to this general proposition?

29 HON. MR. ROBLIN: My view is that it is
30 not a proper field for provincial activity. I don't think



1 that the provincial government has got any responsibility
2 of a major character for the problems of a national
3 nature such as unemployment and the management of
4 the general economy. The constitution does not give
5 us any, and we haven't got any way of directly
6 influencing that in a sufficiently important manner
7 to justify our accepting responsibility of that sort,
8 and I would not recommend it. I do recognize that
9 the fact we average one-third of all the capital in
10 the province, through provincial and municipal
11 expenditures, that that is all, I think we can do.
12 If we are supporting one-third of the capital invested
13 in the province, with all that means in terms of
14 employment, and, if anything more has to be done,
15 particularly of a public works nature, I say that is
16 the responsibility of the Federal Government. There
17 may be an area in which we can co-operate with them:
18 For example, in winter works which I think is an
19 excellent programme and it has done much good for
20 us here. We co-operate with the Federal Government
21 by throwing in a few inducements of our own to help
22 it along, but we only do it as a minor part. They
23 have to take the major role. I would take the same
24 view with respect to public works generally speaking.

25 I do not think you can ask this province,
26 with its limited resources, the fact that it has no
27 effect and no real control over the national economy
28 or whatever the structural problems are, I do not
29 think it is reasonable to ask us to assume any major
30 direct responsibility in that field. We have to come



1 along as the junior partner and co-operate with the
2 policy that the Federal Government might advise.

3 COMMISSIONER HARROLD: Would you
4 think this leakage problem was a disincentive to do it.

5 HON. MR. ROBLIN: I think it would be
6 immaterial to me, because I am interested in national
7 employment -- certainly I am interested in provincial
8 employment but it does not make me feel bad if
9 people are working in other parts of Canada as well,
10 and if the national government is instituting a public
11 works policy in which we get a small share as a minor
12 partner, I would not really feel any complaints if
13 it resulted in employment elsewhere beside employment
14 in Manitoba. I would not take a dim view of that

15 COMMISSIONER GIBSON: You advocate
16 a national economic advisory council with the idea
17 of trying to co-ordinate this policy a little better,
18 without accepting major responsibility, you say.

19 HON. MR. ROBLIN: I think the national
20 economic advisory council idea can provide us with
21 some of the facts we do not have at the present time.
22 I feel as far as we are concerned we are limited. The
23 value of our opinions is limited because our information
24 is limited, and I visualize a national economic advisory
25 council concerning itself with accumulation of some
26 of the facts we need to know, particularly facts
27 important to regions. I think it would provide a
28 background and a better background against which
29 those decisions of a national character we talked
30 about yesterday could be made, and the very impact

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employment but it does not make me feel bad if

people are working in other parts of Canada as well

and if the national government is instituting a job

works policy in which we get a small share in a plan

perhaps, I would not really feel any complete if

it resulted in employment elsewhere beside employment

in Manitoba. I would not take a dim view of that

a national economic advisory council with the idea

of trying to co-ordinate this policy a little better

without accepting major responsibility, you say.

HON. MR. ROBIN: I think the nation

economic advisory council can provide us with

some of the facts we do not have at the present time

I feel as far as we are concerned we are limited. The

value of our opinions is limited because our information

is limited, and I visualize a national economic advisory

council concerning itself with accumulation of some

of the facts we need to know, particularly facts

important to regions. I think it would provide a

background and a better background against which



1 on the regional situation looked into before we get
2 too far along the road.

3 I think it is a little bit difficult to
4 evaluate the use of this advisory instrument. It will
5 grow a lot by experience. We will find, if we get it
6 going, areas in which it can work which perhaps
7 we had not thought of at the present time.

8 I would like to see it started fundamentally
9 as a place where we could have an impartial examin-
10 ation of the facts, perhaps a body which could indicate
11 what sets of facts we need and start the ball rolling
12 to get them together and allow banks to have more
13 rational view of our economic situation based on more
14 information. That would be the first thing I see them
15 doing.

16 If they are able to get that nailed down,
17 I think that other functions would suggest themselves.

18 COMMISSIONER GIBSON: Does your desire
19 to have such a body spring to any degree from the
20 thought that the division of powers and responsibilities
21 between Federal and Provincial authorities could be im-
22 proved. You have said through our discussions that
23 you feel it would be desirable if the province received
24 some additional funds to assist in developmental
25 purposes. I take it also from your comments that you
26 feel that some of the municipalities are fairly hard
27 pressed and perhaps are not too readily getting funds
28 they need.

29 Would you care to comment on that? Is
30 there any fundamental change likely or desirable in



1 that?

2 HON. MR. ROBLIN: No, I don't think,
3 I would not suggest to the Commission that there are
4 fundamental changes required in the constitution. I
5 think that as we go along we have to keep adjusting
6 it, but I think that the means are open without any
7 radical changes, to find the methods of making these
8 adjustments by mutual agreement between the provinces
9 concerned. I do not think that there are constitutional
10 difficulties standing in our way that a little good will
11 and common sense cannot overcome.

12 One of the problems that I think may soon
13 require national attention -- certainly it will require
14 attention around here -- is the question of municipal
15 ^{with respect} finance to their current problems.

16 Municipalities right now are pretty well
17 restricted to the tax on real estate, if they are lucky
18 the business tax, and there is a constant readjustment
19 of responsibilities between the provinces and the
20 municipalities going on based fundamentally on that
21 fact.

22 Since we came in, for example, we have
23 increased that type of thing, direct and indirect
24 support to municipalities, by 60 per cent in four years.
25 Now, that is a tremendous adjustment. I have to
26 admit there has been no reduction in the taxation on
27 the local level, none at all in most places, nor can
28 I say that there is any relief from the pressure of the
29 municipalities for greater provincial participation.

30 Now, the difficulty we face is that if we

1 follow this tendency much farther, we will have the
2 provincial government doing everything and the
3 municipalities have got no reason for being, and we
4 will not attract men of calibre and initiative into
5 that form of government, because they will say, "We
6 are just a branch office of the government and there is
7 nothing left for us to do and it is all decided in the
8 Parliament Buildings at Winnipeg". So it is not only
9 the financial problems of the municipalities that
10 concern me; it is the vitality and vigour of municipal
11 government. It seems to me that we may very well
12 have a radical readjustment of municipal responsibilities
13 and municipal resources, because if you give a level
14 of government the responsibility and not the money
15 to finance it, then you get into the kind of situation
16 we are in now, where they are spending the money but
17 they do not have to raise it. It is never a very
18 satisfactory situation in the long pull in my opinion.

19 So, while I have to be careful I do not
20 make any policy pronouncements here that I may not
21 care to make in the Legislature later on, I do think
22 this is an area in which we have got to take a good
23 look. I would hazard as a guess that the same general
24 situation is faced in most provinces.

25 THE CHAIRMAN: Thank you very much
26 Mr. Roblin. We are much indebted to you for appearing
27 once again before us. It has been of very great
28 assistance to us.

29 HON. MR. ROBLIN: Thank you, sir. I
30 am very glad to have you in the province and I wish



1 well in your task.

2 THE CHAIRMAN: We will now adjourn

3 for 10 minutes.

4 --- Short recess.

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SUBMISSION OF THE CREDIT UNION
LEAGUE OF MANITOBA LIMITED

CO-OPERATIVE CREDIT SOCIETY
OF MANITOBA LIMITED

THE WINKLER CREDIT UNION
SOCIETY LIMITED

APPEARANCES

Mr. Jack Seymour	- President of the Credit Union League of Manitoba.
Mr. E.L. Summerfield	- President of the Co-Operative Credit Society of Manitoba.
Mr. Harold West	- Manager of the Commercial Telegraphers Credit Union.
Mr. Douglas Ramsay	- Controller of the Public Press Limited.
Mr. Darwin Chase	- Director of Co-Operative Services of the Government of the Province of Manitoba.
Mr. Jake Froese	- President of the Winkler Credit Union.
Mr. James Smith	- Solicitor for the Credit Union League of Manitoba.
Mr. Cec. Black	- Acting Manager of the Credit Union League of Manitoba.
Mr. R.S. Bowles	- General Counsel, Credit Union League of Manitoba.



1 MR. SEYMOUR: Mr. Chairman, gentlemen,
2 may I first be permitted to make some introductions
3 and to address a few words of welcome and appreciation
4 on behalf of the Credit Union League of Manitoba
5 and the Co-Operative Credit Society of Manitoba,
6 for the opportunity you are giving us to publicly
7 submit our joint brief and be present with you this
8 morning.

9 You have already been welcomed to the
10 Province of Manitoba. May I, both on behalf of
11 the Credit Union League of Manitoba and the
12 Co-Operative Credit Society of Manitoba, add our
13 personal welcome, and tell you that we hope your stay
14 here will be pleasant and your meetings worthwhile
15 in assisting the important work of your Commission.

16 I would now like to introduce our
17 representatives. I am Jack Seymour of Brandon,
18 Manitoba, President of the Credit Union League of
19 Manitoba.

20 Mr. E.L. Summerfield is the President
21 of the Co-Operative Credit Society of Manitoba.

22 The Credit Union League of Manitoba
23 Limited and the Co-Operative Credit Society of
24 Manitoba Limited thought it sensible to make a joint
25 presentation to your Commission. Each appointed two
26 members to a committee to consider the contents of
27 the brief. I would like to introduce these represent-
28 atives to you. Mr. Harold West on my left is the
29 Manager of the Commercial Telegraphers Credit Union.
30 Mr. Jack Froese on my right is the President of the



1 Winkler Credit Union. Those two were the appointees
2 of the Credit Union League of Manitoba to consider
3 our presentation.

4 Mr. Douglas Ramsay, President of the
5 Public Press Credit Union, is on my left. Mr. Ramsy,
6 and Mr. Summerfield who has already been introduced,
7 are the two appointees of the Co-Operative Credit
8 Society of Manitoba.

9 Assisting our committee in the preparation
10 of the brief was Mr. Bowles who is the Director of
11 Co-Operative Services of the Government of the
12 Province of Manitoba.

13 In obtaining and analyzing certain
14 statistical information, Mr. Pierre Froissais, the
15 Chief Supervisor of Credit Unions of the province.
16 Mr. Froissais is not present this morning. He has been
17 detained, he is out in the country.

18 Our solicitor, Mr. James Smith is on
19 my left at the end of the table; and the Acting
20 Manager of the Credit Union League of Manitoba,
21 Mr. Cecil Black, is on my right at the end of the table.

22 Also assisting and playing an important
23 part in the preparation and assembly of the brief
24 was our general counsel, Mr. R.S. Bowles on my right.

25 I have asked Mr. E.L. Summerfield, the
26 President of the Co-Operative Credit Society of
27 Manitoba, to present to the Commission our joint brief,
28 and I now call on Mr. Summerfield.

29 MR. SUMMERFIELD: Good morning gentlemen.
30 I suppose after listening to all the billions and billions



1 you have been listening to, it will take you a few
2 minutes to get down to this level again, but I hope
3 it is a little relaxing for you.

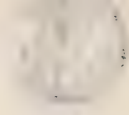
4 This is the summary of our brief to the
5 Royal Commission on Banking and Finance under date
6 April 9th to 11th, 1962.

7 "The Credit Union League of Manitoba
8 Limited and Co-Operative Credit Society
9 of Manitoba Limited submit ~~the~~ attached
10 for your consideration.

11 We have outlined our objects and
12 purposes, our corporate organization, our
13 relationship with others, and our inter-
14 relationship with each other.

15 Our purposes are to furnish each other
16 credit at cost. We have outlined in our
17 submission the methods, practices and
18 policies we employ to achieve this result.

19 Credit Unions were born not only to
20 encourage thrift and savings, but to fill the
21 credit needs of small borrowers. These needs
22 were not being adequately satisfied. The
23 result of the inadequacy was that exorbitant
24 interest rates, fees and charges were exacted
25 for the use of credit by those who took advantage
26 of the lack of services and credit facilities,
27 or that the small borrower could not get a
28 loan at all. Credit Unions hoped by the
29 use of the small savings of many to furnish
30 loans to members at a reasonable cost. In



...been listening to, it will take you a few
...set down to this level again, but I hope
...is relaxing for you.

This is the summary of our brief to the
Royal Commission on Banking and Finance under date
April 8th to 11th, 1962

"The Credit Union League of Manitoba
limited and Co-operative Credit Society
of Manitoba limited submit the attached
for your consideration.

We have outlined our objects and
purpose, our corporate organization and
relationship with each other.

Our purposes are to furnish each other
with credit. We have outlined in our
constitution the methods, procedures and
policies we employ to achieve this result.
Credit unions were born not only to

encourage thrift and savings, but to fill the
credit needs of small borrowers. These needs
were not being adequately satisfied and
the independence was that in the

for the lack of credit by those who had no access
to the lack of services and facilities
so that the small borrower could not get a



1 this they have been successful, and while Credit
2 Unions do not in one sense regard themselves as
3 being in competition with banks and finance
4 companies, whose policies do not determine nor
5 unduly influence Credit Union policy, yet in
6 another sense Credit Unions may be competitive
7 in that they offer an alternative place to save and
8 a source of borrowing.

9 We draw your attention to the proud record
10 we have in Manitoba that no Credit Union member
11 has lost money in his investment in a Credit Union,
12 a record of which we are very conscious and very
13 anxious to preserve.

14 We feel that the present Government audit
15 and regulations are adequate for the protection
16 of ourselves and our members. We do not deal
17 with the public generally. Our operations are
18 confined to our membership.

19 We recognize that safeguards that appear
20 to us today as adequate and satisfactory may
21 appear tomorrow as imperfect and outmoded.
22 Accordingly, while our safety precautions have
23 proven in the past as sufficient, yet we are
24 continually seeking ways to improve our operations
25 and the assurance that our members have that their
26 savings are secure. Our funds are used primarily
27 for loans to our members and our losses are
28 remarkably low. Our brief discusses the reasons
29 for this as it also discusses factors influencing
30 the growth in numbers of Credit Unions and in the



1 amounts of their assets.

2 The percentage of cash and liquid reserves
3 are not governed by law in Manitoba. The average
4 cash and liquid reserve ratio is 15 per cent but
5 the desirable reserve ratios vary as between
6 Credit Unions. A larger cash and liquid reserve
7 ratio is required where a Credit Union serves
8 a business community or operates a "chequing"
9 service. Co-Operative Credit Society of
10 Manitoba Limited acts as a central place for
11 Credit Unions and Co-Operatives to deposit
12 funds, which they do not need immediately and
13 from which to borrow funds if members' needs
14 exceed the cash available. Co-Operative
15 Credit Society of Manitoba operates on the basis
16 of keeping within the cash and liquid reserve
17 ratios as established under the Federal Co-Operative
18 Credit Societies Act.

19 Our Brief notes the relationship between
20 Credit Unions, the Co-Operative Credit Society
21 of Manitoba, and the banks, and notes that while
22 Credit Unions can operate without banking
23 facilities, if we speak of a very limited service,
24 yet by the use of banking facilities, Credit
25 Unions are enabled to give a much broader service
26 to their members. Our Brief discusses loan policies,
27 rates of interest charged, and notes that the interest
28 rate on loans is not set by reference to competition
29 but to the fundamental Credit Union principle that
30 all surplus is returnable to borrowing members in

amounts of their assets.

The percentage of cash and liquid reserves are not governed by law in Manitoba. The cash and liquid reserve ratio is 15 per cent but the desirable reserve ratios vary as between

ratio is required where a Credit Union serves a business community or operates a "scheduling" service. Co-Operative Credit Society of Manitoba Limited acts as a central place for Credit Unions and Co-Operatives to deposit funds, which they do not need immediately and from which to borrow funds if members needs exceed the cash available. Co-Operative Credit Society of Manitoba operates on the basis of keeping within the cash and liquid reserve ratios as established under the Federal Co-Op-

Our Brief notes the relationship between

of Manitoba, and the banks, and notes that while Credit Unions can operate without banking facilities, if we speak of a very limited service yet by the use of banking facilities, Credit Unions are enabled to give a much broader service to their members. Our Brief discusses loan policies of interest charges, and notes that the interest rate on loans is not set by reference to competition but to the fundamental Credit Union principle that all surplus is returned to borrowing members in



1 the form of a rebate of interest with the objects
2 of giving credit at cost and paying a reasonable
3 return to saving members.

4 Members are not encouraged to borrow just
5 because the Credit Union has available funds.
6 Our purpose is not primarily to make full use
7 of all our funds at all times in order to make a
8 maximum return on our capital, but is to service
9 as fully and economically as possible our
10 members' loan needs for provident or
11 productive purposes. To achieve this object
12 Credit Unions may at times have substantial cash
13 and liquid reserves on hand and at other times
14 may have to borrow from the Co-Operative Credit
15 Society of Manitoba or its bankers, money to
16 relend to members. Credit Unions endeavour to
17 keep such borrowings on a short term basis.

18 While at the moment a system of deposit
19 insurance does not seem to be needed, yet we do
20 not reject the idea as impractical. Circumstances
21 may develop which would make it desirable in the
22 over-all interest of our members and our community
23 generally. If deposit insurance was to be
24 required or made available, we would want continued
25 freedom to satisfy all legitimate loan demands of
26 our members and not be fettered by unreasonable
27 loan restrictions. We know from experience
28 that moderate loans to our members with or without
29 security which other financial institutions might
30 reject, are perfectly justified and will be repaid



1 as these members are credit-worthy.

2 Our brief notes to what extent we consider
3 ourselves as competitive to banks and other
4 financial institutions, and notes that our
5 relationship with banks at the local level is
6 pleasant and satisfactory.

7 Credit Unions and the Co-Operative Credit
8 Society of Manitoba do not regard monetary
9 policy as affecting them to the same degree
10 as it affects banks or some other financial
11 institutions. Nor do they believe they affect
12 monetary policy greatly. They are limited in
13 their dealings to the needs of their members and
14 to the loaning to members of available funds.
15 They are, however, indirectly affected by
16 monetary policy as it affects their membership
17 generally.

18 Our brief notes that 90 per cent of the income
19 from Credit Unions is interest on loans and only
20 10 per cent from investments. It gives an analysis
21 of income and expenditures.

22 The League emphasizes the education efforts
23 made by itself and Credit Unions to encourage
24 savings and thrift. Credit Unions welcome the
25 smallest savings. Members sometimes save as
26 little as 25 cents at a time.

27 The needs of our members have meant that
28 most of our funds are loaned out on a moderately
29 short term basis and we do not have a large
30 pool of unused funds for long term National



These members are credit-worthy.

Our brief notes to what extent we consider ourselves as competitive to banks and other financial institutions, and notes that our relationship with banks at the local level is pleasant and satisfactory.

Credit Unions and the Co-Operative Credit Society of Manitoba do not regard monetary policy as affecting them to the same degree as it affects banks or some other financial institutions. For do they believe they affect monetary policy greatly. They are limited in their dealings to the needs of their members and to the loaning to members of available funds. They are, however, indirectly affected by monetary policy as it affects their membership generally.

Our brief notes that 95 per cent of the income from Credit Unions is interest on loans and only 10 per cent from investment. It gives an account of income and expenditures.

The League emphasizes the education effort made by itself and Credit Unions to encourage savings and thrift. Credit Unions welcome the smallest savings. Members sometimes save as little as 25 cents at a time.

The needs of our members have meant that most of our funds are loaned out on a medium short term basis and we do not have a large set of unused funds for long term investment.



1 Housing Act mortgages nor would it be good
2 business for Credit Unions to tie up so much
3 money for so long a time. Credit Unions should
4 be in a position of being able to fill the loan
5 needs of their members for smaller sums and for
6 shorter periods. However, if there was a
7 secondary mortgage market in which National
8 Housing Act loans could be sold readily for cash,
9 Credit Unions would be interested in making and
10 servicing such loans as many of their members
11 are in need of them and would qualify.

12 Credit Unions consider their proper field
13 of activity to be to serve their members by
14 encouraging them to save regularly even small
15 amounts and to loan such savings to their members
16 for productive or provident purposes. Within
17 its objects and purposes the Credit Union should
18 particularly try to fill the needs of its members
19 for credit.

20 Recommendations: We are of the opinion
21 that Credit Unions, being local organizations
22 operated under Co-Operative principles, should
23 continue to operate under provincial law and
24 regulation, as differentiated from Federal law
25 and regulation. We recommend that no change
26 be made in the jurisdiction under which Credit
27 Unions operate

28 We recognize that Credit Unions are of
29 comparatively recent development, and that they
30 are relative newcomers when compared to the banks

sing Act mortgages nor would it be good business for Credit Unions to tie up so much money for so long a time. Credit Unions should be in a position of being able to fill the loan needs of their members for smaller sums and for shorter periods. However, if there was a

Housing Act loans could be sold readily for a Credit Union would be interested in making a servicing such loans as many of their members are in need of them and would qualify.

Credit Unions consider their proper field of activity to be to serve their members by encouraging them to save regularly even small amounts and to loan such savings to their members for productive or provident purposes. Within its objects and purposes the Credit Union should particularly try to fill the needs of its members for credit.

Recommendations: We are of the opinion that Credit Unions, being local organizations

continue to operate under provincial law and regulation, as differentiated from federal law and regulation. We recommend that no change be made in the jurisdiction under which Credit Unions operate.

We recognize that Credit Unions are of comparatively recent development, and that the



1 and some other financial institutions. They
2 were born out of need, and the failure of the
3 then existing institutions to satisfy the require-
4 ments of those who became Credit Union members.
5 We also recognize that since 1937, much progress
6 has been made by Credit Unions in servicing
7 members, and that methods have been improved
8 consistently. Recognizing the great advances
9 made since 1937, we expect the future holds
10 a like progressive growth and improvement in
11 Credit Union practice. We hold ourselves open
12 to suggestions for improving the methods of our
13 operation and our services, and our relations
14 with other members of the public and the business
15 community generally."

16 THE CHAIRMAN: Thank you.

17 We will now be open for questions. Some of
18 the members of the Commission would like to ask
19 questions.

20 COMMISSIONER LEMAN: Should we address our
21 questions to you, Mr. Seymour, or Mr. Summerfield
22 or indiscriminately of the whole group?

23 MR. SEYMOUR: If you address the questions to
24 me I will probably direct them to the persons who can
25 answer them in the best manner.

26 COMMISSIONER LEMAN: Well, Mr. Seymour,
27 you may find that our questioning today may not cover
28 absolutely the whole field of the brief. The answer,
29 so far as I am concerned at least lies in the fact that
30 we have heard other provincial Credit Union Leagues

1 and have learned quite a bit about their operations and
2 where yours are quite similar to theirs probably we
3 won't wish to ask any more questions where the
4 similarities are exact and also I find that your brief
5 answers quite a lot of questions I had in mind before I
6 read it. But there is one area on which I would like a
7 little more comment from your group and that is the
8 concept of the common bond of association and more
9 specifically I read in the summary of your brief that
10 you claim you do not deal with the public generally
11 and that your operations are confined to your member-
12 ship.

13 Well now, as I understand it the group of the
14 Credit Unions now has about 93,000 members, is that
15 right?

16 MR. SEYMOUR: In the province I think that
17 is right.

18 COMMISSIONER LEMAN: For the record this
19 represents what proportion of the population of Manitoba
20 or, say, the adult population?

21 MR. SEYMOUR: Mr. Chase, can you answer that
22 question?

23 MR. CHASE: We have about 900,000, something
24 over 900,000 in population and if 50 per cent of them
25 are adult, say 400,000, the ratio would be about 90,000
26 to 400,000. Mr. Froese brought to my attention that
27 included in the 90,000 there would be a number of
28 minors. I don't know if there is any way of estimating
29 what they would be.

30 COMMISSIONER LEMAN: Are the minors quite a

and have learned quite a bit about their operations where yours are quite similar to theirs probably we won't wish to ask any more questions where the similarities are exact and also I find that your brief answers quite a lot of questions I had in mind before read it. But there is one area on which I would like little more comment from your group and that is the concept of the common bond of association and more specifically I read in the summary of your brief that you claim you do not deal with the public generally and that your operations are confined to your membership.

Well now, as I understand it the group of the Credit Unions now has about 93,000 members, is that

MR. SEYMOUR: In the province I think that is right.

COMMISSIONER LEAMAN: For the record this represents what proportion of the population of Manitoba or, say, the adult population?

MR. SEYMOUR: Mr. Chase, can you answer the question?

MR. CHASE: We have about 900,000, something over 900,000 in population and if 50 per cent of them are adult, say 400,000, the ratio would be about 20,000 to 400,000. Mr. Brown brought to my attention that included in the 90,000 there would be a number of minors. I don't know if there is any way of estimating what they would be.

COMMISSIONER LEAMAN: Are the minors quite



1 large element?

2 MR. CHASE: In some Credit Unions they are.

3 COMMISSIONER BROWN: Is it possible for
4 husband and wife to be a member?

5 MR. CHASE: Quite common for husband and wife
6 to be members.

7 COMMISSIONER LEMAN: Considering your
8 growth in the last few years and looking to the future
9 you do express the confidence that the movement will
10 continue to grow considerably in future years. I suppose
11 this would be both in terms of numbers of members as
12 well as your average investment in Credit Unions,
13 wouldn't it?

14 MR. SEYMOUR: I would say yes, that would be
15 right.

16 COMMISSIONER LEMAN: So that eventually
17 you might end up by dealing with a very significant
18 proportion of the public, as you call them?

19 MR. SEYMOUR: It could be. In Canada I think
20 one in seven Canadians belongs to a Credit Union so
21 that is quite a number of people. It is a significant
22 number of people.

23 COMMISSIONER LEMAN: Therefore, do you make
24 the point that you do not deal with the public with a
25 particular purpose in mind?

26 MR. SEYMOUR: We do not deal with the public.
27 We deal with our members. A person applies to become
28 a member in the Credit Union and pays a fee to join
29 the Credit Union, submits an application and that
30 application goes before the Board of Directors and is

1 either approved or turned down and if after that is
2 done he might then make an application for a loan or
3 whatever he wishes. He can start a savings account
4 and that is what we prefer first for them to start saving
5 money and then he may make an application for a loan
6 but if he is not a member he cannot get a loan from
7 our organization.

8 COMMISSIONER LEMAN: I do not dispute that
9 fact at all. I am asking you if this is a fact, what
10 is the significance of the fact in your own mind; in
11 other words, is there a reason why you state that you
12 do not deal with the public? You seem to make a point
13 of it.

14 MR. SEYMOUR: I am going to ask for some
15 help from Mr. Summerfield.

16 MR. SUMMERFIELD: There are large industrial
17 organizations. There are chains of department stores
18 straight across the country that have hundreds and
19 hundreds of thousands of employees that do not encourage
20 credit unions and the people who work for those firms
21 cannot get into credit unions. There are many industries,
22 firms of this nature. There are other people who by
23 the community they live in there is no credit union in
24 that particular community and I speak particularly of
25 the urban areas and so these people cannot get into
26 credit unions. I know this because I get calls daily
27 from people wanting to join credit unions and they cannot
28 get into credit unions. I think our statement that we
29 do not deal with the public generally is quite constructive
30 because there always will be millions of people who cannot

proved or turned down and if after that is done he might then make an application for a loan of whatever he wishes. He can start a savings account and that is what we prefer first for them to start saving money and then he may make an application for a loan but if he is not a member he can't get a loan from our organization.

COMMISSIONER LEWIS: I do not dispute the fact at all. I am asking you if this is a fact, what is the significance of the fact in your own mind, in other words, is there a reason why you state that you do not deal with the public? You seem to make a lot of it.

MRS. SEYMOUR: I am going to ask for some help from Mr. Summerfield.

organizations. There are chains of department stores straight across the country that have hundreds and hundreds of thousands of employees that do not associate credit unions and the people who work for these firms cannot get into credit unions. There are many industrial firms of this nature. There are other people who say the community they live in there is no credit union in that particular community and I speak particularly of the urban areas and so these people cannot get into credit unions. I know this because I get calls daily from people wanting to join credit unions and they cannot get into credit unions. I think our statement that we do not deal with the public generally is quite correct because there always will be millions of people who can



1 get into credit unions.

2 COMMISSIONER LEMAN: Where the credit
3 union is organized along the lines, say, of an employ-
4 ment or that type of common bond of association, that
5 is one type. Where you get into an urban type of
6 credit union where purely the residence factor qualifies
7 one for membership would you think that would create
8 a different type of common bond of association that would
9 be less closely knit?

10 MR. SUMMERFIELD: I would say in some
11 industrial credit unions the common bond may be less
12 closely knit than in rural areas. As a rule in a rural
13 area everybody knows everybody else where in your
14 industrial credit unions this may not be so. A person
15 knows somebody who knows somebody who knows somebody
16 but no person knows everybody. I should say in the
17 rural areas there is no reason for any person not to
18 belong to a credit^{union}/if he so desires.

19 COMMISSIONER LEMAN: Continuing on, on
20 page 3 I notice that you make the point that you would
21 not want a deposit insurance system to result in your
22 being fettered by unreasonable loan restrictions. Is
23 this something that you have explored and have you
24 encountered a suggestion as loan restrictions that were
25 unacceptable to you and what type of restrictions were
26 they?

27 MR. SEYMOUR: I would like to refer this
28 question to Mr. Bowles who is our General Counsel.
29 Before he speaks I would like to know if you were satisfied
30 with the answers to your last question?



1 COMMISSIONER LEMAN: I think so, sir.

2 MR. SEYMOUR: Thank you.

3 COMMISSIONER LEMAN: Well, other
4 Commissioners may come back on the point.

5 MR. SEYMOUR: Oh sure.

6 MR. BOWLES: Sir, with respect to this matter
7 of deposit insurance we have not investigated it to
8 the extent that it would be considered proper to make
9 a recommendation that we would want to say we are
10 entirely satisfied that our recommendation is correct.
11 We were asked a question as to what we thought of
12 deposit insurance and so far as we can find out in
13 Manitoba it is not needed. But we did think this, that
14 there may be reasons and factors in other parts of Canada
15 about which we do not know and other credit unions
16 or other credit union leagues may have a different view
17 on deposit insurance. So we do not want to put ourselves
18 on record as being hostile to it when we do not know
19 too much about it.

20 As far as we can see now we do not think it
21 is necessary and if, for reasons of any representations
22 that were made to you elsewhere you thought that
23 deposit insurance was something that should be inaugurated,
24 then we say in that event we would not want to be
25 fettered by unreasonable loan restrictions because
26 presumably if we are getting insurance companies, the
27 insurance companies might want to put restrictions
28 on the loans we might be able to make. But we make
29 loans that an ordinary financial institution might not
30 consider would be safe. We know they are safe because

LEMAN. I think so, sir.

MR. SEYMOUR: Thank you.

COMMISSIONER LEMAN. Well, other

Commissioners may come back on the point.

MR. SEYMOUR: Oh sure.

of deposit insurance we have not investigated it to the extent that it would be considered proper to make a recommendation that we would want to say we are entirely satisfied that our recommendation is correct. We were asked a question as to what we thought of deposit insurance and so far as we can find out in Manila it is not needed. But we did think this, that there may be reasons and factors in other parts of the country about which we do not know and other credit unions or other credit union leagues may have a different view on deposit insurance. So we do not want to put ourselves on record as being hostile to it when we do not know too much about it.

As far as we can see now we do not think it is necessary and it is for reasons of any representation that were made to you elsewhere you thought that deposit insurance was something that should be imposed then we say in that event we could not want to be fettered by unnecessary loan restrictions because presumably if we are getting insurance companies, the insurance companies might wait for our restriction on the loans we might be able to make. But we make loans that an ordinary financial institution might not make. We know they are safe because

1 they have been proved to be safe. These borrowers
2 are credit worthy.

3 COMMISSIONER LEMAN: So that the pattern
4 of loan restrictions that you foresee might happen if
5 you tried to insure is not a pattern that has been
6 established yet and you don't know exactly what the
7 loan restrictions would be and how much it would
8 handicap your operation?

9 MR. BOWLES: Correct.

10 COMMISSIONER LEMAN: Now, changing a little
11 bit from this field of interest, there is another feature
12 that is a little puzzling to me. It is the fact there
13 is more than one league, more ^{than} one association in this
14 province. Your brief does give the history of these
15 things but I am curious to know if there are reasons why
16 this came about. Can you enlighten us on that a bit?

17 MR. SEYMOUR: I would just ask Mr. West
18 to answer that question.

19 MR. WEST: Mr. Leman, there have been a number
20 of changes, of course, over the years as far as our
21 provincial bodies have been concerned and the reason
22 for several, to be specific, three, provincial organizations
23 which are engaged in the promotional and educational
24 field of the credit union movement -- there are very
25 good logical reasons for those institutions coming into
26 being. For instance, we have what we call the Caisse
27 Populaires which, as you are aware, are representative
28 of those of the French language specifically and although
29 in the early stages of our development the greater
30 proportion, if not all, of the Caisse Populaires were

1 affiliated with at that time the Credit Union Federation
2 of Manitoba which now is the equivalent of our
3 Credit Union League, due to the language problems
4 a number of arrangements were made at that time in
5 order to service these French speaking credit unions
6 and still keep within the unity of the one organization.

7 At first certain concessions were made to the
8 Caisse Populaires by the rebate of a portion of the
9 dues paid to the union for their use for their own
10 educational programmes and various other purposes
11 which would be conducted in their own language. Now,
12 this worked very well for a short while but as you know
13 in Manitoba we have a great number of various language
14 groups identified as such and there was, as you can
15 imagine, some mild criticism from other language groups
16 that certain concessions were being made to one specific
17 language group and in order to overcome that the
18 rebate of dues was rescinded and I believe on that we
19 engaged a bilingual fieldman to help service those
20 Caisse Populaires and that worked very satisfactorily
21 for a while.

22 Then, the French speaking group eventually
23 became affiliated with their own educational organization,
24 possibly an offshoot from the province of Quebec and
25 at that time they withdrew almost in a body from the
26 League but it was on a very, very friendly basis with
27 an understanding of why this was necessary and certainly
28 there was no animosity between the two groups. There
29 still is not, we are working very closely together.

30 Then, during the last two years or so there were



1 developed within our group some of these ideologies
2 and philosophies as far as the credit union movement
3 was concerned as conceived by their founders and as
4 only we people are concerned, whether it be in labour
5 groups, church groups or anything else these particular
6 splinter groups separated from the League and organized
7 what is now known as the Credit Union Federation of
8 Manitoba. Possibly I should say that both organizations
9 have the same objects and same purposes and objects
10 in mind. I don't believe that the organization of
11 these other groups has weakened our movement to any
12 great extent. Possibly it has strengthened it, but there
13 is a general opinion that eventually at least the
14 English speaking credit people will re-unite in the
15 not too distant future. That is wishful thinking
16 maybe, and that is why we have several organizations.

16 COMMISSIONER LEMAN: Your brief makes it
17 clear you are speaking for your own league and for
18 the Co-operative Credit Society, and I don't blame
19 you for that -- you cannot speak for the others:
20 but, where there was a question of approach insofar
21 as it was not just the language barrier that worked
22 in there, could you nevertheless describe a little bit
23 for us in what sense the approach or the philosophy
24 of the movement is different?

24 MR. WEST: That is a very difficult question.
25 I don't know whether I can explain it explicitly. It is
26 more or less something like, as we say, in the minds of
27 people. I think one possible explanation might be that
28 the membership comprising the Credit Union League believe
29 in one specific philosophy that the savings of the credit
30 union members were intended for and should be used entirely
for the use of its members for their own needs,



1 while some groups believe, or some individuals, I should
2 say, believe possibly that a portion of that money
3 should be used for the development of commercial
4 enterprises. I think that is where we might differ
5 on one major point.

6 COMMISSIONER LEMAN: Which one of the two
7 groups is that?

8 MR. WEST: The Credit Union League believe
9 the credit union savings total should be used for
10 credit union people. That would be in opposition to
11 the Credit Union Federation.

12 COMMISSIONER LEMAN: Continuing on from there
13 but in the same vein you describe on page four in 10(e)
14 among the objects and purposes of the League is to
15 maintain a high standard of credit union organization,
16 operation and supervision: could you describe for us
17 briefly what specifically would you do to help maintain
18 these standards as a league?

19 MR. WEST: It is mainly through educational
20 procedures and programmes. As you realize, the League
21 has no actual authority over the credit union members.
22 It is purely a voluntary organization, and the only
23 influence the League can have on its members is in an
24 educational and advisory capacity to give them
25 assistance in their problems as far as operating their
26 credit unions is concerned, possibly their bookkeeping
27 problems, their delinquent loan problems and their
28 public relation problems in order to expand and promote
29 their own individual credit union within their own
30 community.

COMMISSIONER LEMAN: Separately from what
you can do, which is purely in the field of persuasion
and education, there is the inspection staff of the
Director of Co-Operative Services. This authority has



1
2 some power to enforce certain practices and prevent
3 other practices as against what the League could do?

4 MR. WEST: I would say not against, but in
5 conjunction and co-operation with the League. The
6 supervisory branch, of course, has the full power to
7 regulate the operations according to the Act and
8 by-laws and enforce adherence to these requirements.
9 They work very closely in co-operation with the
10 League, and where assistance may be given through the
11 League we have a field staff which will also work in
12 conjunction with the government supervisory staff.

13 MR. BOWLES: If we could direct the
14 Commission's attention to Appendix R, it is detailed
15 there.

16 COMMISSIONER LEMAN: In one or two places
17 you refer to the fact that for certain credit unions,
18 due to the way they operate and the composition of
19 their membership and their loan practices, there is
20 need for higher cash reserves than in others. You use
21 the word "required". We have noted there is nothing in
22 the law that specifies what the cash reserves or the
23 liquidity position of a credit union must be. Do you
24 use the word "required" in the sense that the staff of
25 the Director of Co-Operative Services would state what
26 the reserves total must be in his judgment according to
27 the circumstances?

28 MR. WEST: Not necessarily. Certainly, the
29 government supervisors would advise the credit union as
30 to what should be reasonable and proper liquid reserves,
and the actual maintaining of what is considered to be
proper liquid reserve is strictly management problem



1
2 within the individual credit union for the protection of
3 their own credit union, and because of the particular
4 type of membership and the locality in which they
5 operate. For instance, in an urban credit union composed
6 of, we will say, of industrial workers, where money is
7 turning over -- should we say received into the credit
8 union at least twice a month on paydays -- building up
9 the liquid cash from payday to payday; whereas, in the
10 rural areas very often their loans are on a longer term
11 basis for seeding or various farm machinery, and so
12 forth, where they may be repaid in a minimum of some
13 months later -- possibly a year later. During that
14 time when the money is slow in being returned to the
15 credit union, certainly a reasonable liquid reserve
16 should be on hand to take care of emergency demands and
17 for share and deposit withdrawals. That need in the
18 urban areas is not so great, where they are dealing with
19 wage earners primarily.

20 COMMISSIONER LEMAN: I can quite understand
21 the requirements could be different from one credit
22 union to another, but the point of my question is,
23 is this left to the management of the credit union or
24 is there some authority that will enforce a certain
25 ratio ?

26 MR. WEST: I would like to have you direct
27 that question to Mr. Chase.

28 MR. CHASE: Sir, the responsibility of the
29 government department in dealing with credit unions as
30 far as supervision is concerned -- it is to ensure
compliance with the Act and by-laws. The Act does not
require specific liquid reserves. There are many cases,



1
2 however, in the course of supervision, in the course of
3 an audit, or the report that follows that audit -- if
4 there is any need for commenting on the liquidity of the
5 credit union, then those comments are made to the
6 Board of Directors. In other words, these facts are
7 drawn to their attention. Granted, we have no enforcing
8 authority. We cannot say to a credit union, " You have
9 to have ten, twenty or fifty per cent of liquid
10 reserves". We can simply draw it to their attention.
11 The teeth, if you like, in that authority would be
12 that we do have the authority to suspend, and if
13 liquidity is one of the factors that has to do with the
14 weaknesses of the credit union, which would indicate it
15 is approaching suspension or if, in fact, it needs to
16 be suspended, then that action is taken by our
17 department. That is the degree of authority that is
18 exercised. We don't say to credit unions generally
19 that because they operate in a certain manner they must
20 keep a certain amount of money liquid. It has to be
21 in relation to the type of business they operate and
22 even then we don't insist on specific amounts or
23 percentages being kept liquid. It depends entirely on
24 the soundness of their operations.

25 COMMISSIONER LEMAN: In fact, is there a
26 pattern of agreement or disagreement? Have you had to
27 take action in certain cases?

28 MR. CHASE: We have suspended credit unions
29 but not primarily because of liquidity. We have
30 suspended some but not for that reason; generally for
other reasons.

COMMISSIONER GIBSON: May I interject a

in the course of supervision, in the course
an audit, or the report that follows that audit -- it
there is any need for commenting on the liquidity of
credit union, then those comments are made to the
Board of Directors. In other words, those facts are
brought to their attention. Granted, we have no enforce-
ment, we cannot say to a credit union, "You had
to have ten percent on fifty percent of liquid
reserves". We can simply draw it to their attention.
The credit, if you like, in that authority would be
that we do have the authority to suspend, and if
liquidity is one of the factors that has to do with the
soundness of the credit union, which would be those
is a soundly supervised credit union, in fact, it needs to
be supervised, then that action is taken by our
department. That is the source of authority that is
exercised. We don't say to credit unions generally
that because they operate in a certain manner they must
keep a certain amount of money liquid. It has to do
in relation to the type of business they operate and
even then we don't insist on specific amounts or
percentages being kept liquid. It depends entirely on
the character of their operations.
SECTION 10: In fact, in these
cases of agreement or disagreement, however, and in
some cases in certain cases.
THE CHAIR: We have suspended credit unions
and not generally because of liquidity. We have
suspended some but not for that reason; generally for
other reasons.

SECTION 11: May I interrupt?



1
2 question here; does the Co-Operative Credit Society
3 take any part in trying to see that what it regards
4 as suitable liquidity standards and the lending
5 standards are maintained through its power of lending
6 money to the credit unions?

7 MR. SUMMERFIELD: When the credit union
8 submits an application for a loan to the Co-Operative
9 Credit Society it also submits its last financial
10 statement. I say "last" because if it is the 25th
11 of the month it submits the one for the month
12 before. If it is the 6th day of the month, it is
13 still the end of the last month. On this basis the
14 loan is made providing that the credit union has a
15 50% borrowing by-law. Credit unions have 25%
16 automatic -- they must have their members'
17 authority to borrow 50. If they have this 50,
18 then the loans are made on that basis. If the
19 financial statement does not look good -- 100%
20 good -- then the loan is not put out.

21 COMMISSIONER GIBSON: Do you, in fact,
22 exercise quite a little guidance of this kind in
23 the process of running the society?

24 MR. SUMMERFIELD: No, what we do is
25 get in touch with the field man of the Credit Union
26 League and suggest he make a visit to this credit
27 union and straighten the matter out with the
28 credit union. Sometimes it has occurred that loans
29 have been made and then something has happened within
30 the credit union as far as the repayments of other
loans are concerned, and it has fallen below our
estimate, and then we do this ourselves then: we
get in touch with the credit union and make certain



1
2 suggestions to them, and I don't know of any occasion
3 that they haven't followed our suggestions to the
4 letter, and held up their own loaning programme
5 until a favourable position as far as we were
6 concerned.

7 COMMISSIONER BROWN: What sort of criterion
8 do you use? Just glancing at this, counting cash
9 on deposit with Central as part of the cash, the
10 average is 10%. This means that a lot of it must
11 be above the average and lot of it below the average.

12 MR. SUMMERFIELD: That is right.

13 COMMISSIONER BROWN: What sort of criterion --
14 just considering the deposits with Central as cash.
15 In fact, of course, Central itself only has about
16 10% in cash, so overall the average is probably
17 about 7% in actual cash.

18 MR. SUMMERFIELD: You are talking about
19 Central in connection with the credit unions?

20 COMMISSIONER BROWN: No. Let us deal with
21 the first part of my question. Let us assume that
22 the average is 10%, which means that some must be
23 below that.

24 MR. SUMMERFIELD: Yes.

25 COMMISSIONER BROWN: What sort of criterion
26 do you use/^{as}the basic point at which you start
27 asking questions?

28 MR. SUMMERFIELD: We go back to Mr. West
29 again in knowing the type of credit union we are
30 dealing with. If it is a pay-day credit union, then
we are not too concerned with their liquid -- if their
cash is only 5% or 3%.



1
2 COMMISSIONER BROWN: You go down as low
3 as 3%?

4 MR. SUMMERFIELD: I would like to follow up
5 what Mr. Chase said. He gave definitions: between
6 Mr. West and Mr. Chase they were giving examples, but
7 another thing that comes into the picture is the
8 seasons of the year as far as we are concerned in
9 Manitoba. We find our peak seasons of the year start
10 about the 15th of June and go on until the end of
11 October. During this time we are very flexible as
12 far as our loans are concerned because we know these
13 people need money, and they have to have money to
14 operate successfully. I don't know where you
15 gentlemen come from, but here we enjoy only so much
16 summer and we take advantage of it, and if it costs
17 us money to do that, unfortunately that is how we
18 have to live. This has a great bearing. The seasons
19 of the year have a great bearing on the loaning of
20 money as far as the Credit Society is concerned.
21 Another season of the year -- the very early spring,
22 we go all out to lend any amount of money we can
23 possibly lend to the farm population. Again in the
24 latter part of the fall, we go all out again to do
25 the same thing again with ~~that~~ population because they
26 need money to take a harvest off. A lot of ^{it} depends
27 on the seasons of the year in this part of the
28 country.

29 COMMISSIONER BROWN: If you put all those
30 seasons together, it is pretty intensive from spring
to fall?

COMMISSIONER BROWN: You go down the low

MR. STEPHENS: I would like to follow up

what Mr. Quinn said. He gave definitions between
Mr. West and Mr. Quinn they were further examples, but
another thing that comes into the picture is the
season of the year as far as we are concerned in
the picture. We find our peak season of the year is
about the first of June and goes on until the end of
October. During this time we are very flexible in
the way we handle our business and we are very
people need money, and they have to have money to
operate successfully. I don't know where you
gentlemen come from, but here we enjoy only as much
summer and we take a change of it, and it is easier
as money is so cheap, unfortunately that is how we
have it here. This has a great bearing. The season
of the year has a great bearing on the season of
the year as far as the public is concerned.
Another reason of the year -- the very early winter,
we go all out to let a good amount of money we can
possibly find to the Government. And I the
fact, one of the facts, we go all out again to do
the same thing again with the Government because they
need money to take a harvest off. I don't know
on the season of the year in this part of the

COMMISSIONER BROWN: It is not put in the

seasons together, it is pretty, because from selling



1
2 MR. SUMMERFIELD: That is correct, and in
3 the winter time we all have money; everybody has
4 money.

5 COMMISSIONER BROWN: The point I was
6 getting at, you are prepared to see the cash ratio
7 go down to as low as 3% in certain instances?

8 MR. SUMMERFIELD: Yes. Some people get
9 paid four times a month -- a weekly pay.

10 COMMISSIONER BROWN: Do you differentiate
11 as regards deposit and as regard share capital?

12 MR. SUMMERFIELD: Shares are what we
13 really look at -- yes, on the borrowing by-law,
14 for example, that is 50%. Deposits it is only 25%.
15 We won't go over 25% on their deposits.

16 COMMISSIONER BROWN: I am thinking of their
17 cash ratio to their liabilities?

18 MR. SUMMERFIELD: It is almost always shares
19 that we go by.

20 COMMISSIONER BROWN: So they can be down as
21 low as 3% against their deposits as well?

22 MR. SUMMERFIELD: No, not against their
23 deposits.

24 COMMISSIONER BROWN: How low would you go
25 with their deposits?

26 MR. SUMMERFIELD: We see they are very high.

27 COMMISSIONER BROWN: Again we are talking in
28 terms -- what is "very high" -- 10%?

29 MR. SUMMERFIELD: Oh, no, more than that,
30 because depending again on the area of population.
Mr. Chase, for instances, comes from Winkler, and in
that area they need a high deposit, and there are



1
2 many credit unions that don't have deposits at all.
3 They don't have such a thing as a deposit account.

4 COMMISSIONER BROWN: Yes, I recognize that.
5 I am trying to find out where your field is that the
6 cash ratio should be with deposits? You say "very
7 high"?

8 MR. SUMMERFIELD: As far as loaning money
9 in the Co-Operative Credit Society is concerned, it
10 is almost strictly on shares. We don't have the
11 influence on their deposits and we don't loan on
12 deposits.

13 COMMISSIONER BROWN: I am afraid we are
14 talking a little at cross purposes. Where you make
15 a loan to a credit union, and evaluating their
16 credit worth, do you take into consideration their
17 cash ratio as against their deposit liabilities and
18 their share liabilities. My question is, in looking
19 at that and in making that evaluation, what sort of
20 cash ratio do you regard as being a safe minimum
21 against their deposit liabilities?

22 MR. SUMMERFIELD: I can only say that
23 varies between credit unions, because I guess we
24 must be different here in Manitoba to the other
25 places you have been to. You are talking about
26 loaning money as far as their deposits are concerned,
27 as far as liquidity.

28 COMMISSIONER BROWN: I am talking about
29 your position as to whether it is proper, whether
30 they are borrowing properly.

MR. RAMSAY: I think we are at cross
thoughts here. In the Credit Union Movement,
liquidity is not looked upon as having so much money



1
2 in the bank or so much in current assets. We were
3 making loans to credit unions on the basis of their
4 share capital, their ability to repay loans. They
5 may have very little money in the bank, but their
6 soundness is in their members, and in their share
7 capital.

8 These requirements of the Co-Operative
9 Credit Society of 5% of cash on hand, there is some
10 question as to whether that is needed, because again
11 we are coming back to this dealing with members.
12 The members in our organization realize that they
13 can not demand the money On a minute's notice. They
14 normally give us time without us exercising rights.

15 We are not in the same position as a
16 finance company dealing with the public, that the
17 public demands money and it must have it. In the
18 credit unions through educational processes, this
19 understanding is not there. If a man wants to
20 withdraw his shares, and the money is not there,
21 he will wait for it.

22 Now this is the same idea that Mr.
23 Summerfield was trying to explain in connection with the
24 relationship between the credit union itself and
25 the Central body. It is not the cash reserves they
26 are holding that counts to us; it is what they have
27 in share capital and their method of operation in
28 the district.

29 COMMISSIONER LEMAN: In other words this
30 was based on personal judgment; you have to look
into the details of the operation, et cetera, and
you cannot set any particular rules that are of



1
2 broad application to credit unions? You would not
3 care to make a classification and say "We apply
4 certain criteria to this class of credit unions and
5 other criteria to this other class of credit unions"
6 etc?

7 MR. RAMSAY: No, because as I understand it,
8 we know our members, we know who we are dealing with,
9 and we understand their circumstances.

10 MR. SUMMERFIELD: There is no yard stick.

11 COMMISSIONER LEMAN: These are the facts.
12 We are talking about the past and the present, but
13 let us think about the future a little bit. Would
14 it be your guess that as the movement expands more
15 and more and the amounts used in the movement get
16 much larger, as they may very well get much larger
17 (experience elsewhere shows that and your growth
18 curve shows it too); would you think as a group
19 that this situation is bound to change, that as it
20 gets larger there should be a little bit more, let
21 us say, central control and a little bit more
22 establishment of criteria and rules of operation than
23 there is now.

24 MR. RAMSAY: I suppose if there were more
25 central rules it would take away from the flexibility
26 that we are working under at the present time. I do
27 not think it would strengthen the credit union
28 movement.

29 Our collection and losses record is quite
30 extraordinary, I would say, and based on past
performance we cannot see any reason for bringing
about any more protective measures. I think this is
what our brief has drawn out.



1
2 COMMISSIONER LEMAN: Well, controlled
3 measures internally imposed are different from that
4 might be externally imposed. There is a difference
5 between the two. If you impose rules and restrictions
6 on yourselves, you pattern them after what you think
7 is the requirement, with intimate knowledge of the
8 needs.

9 MR. RAMSAY: I believe that would come about
10 if that were necessary.

11 COMMISSIONER BROWN: You probably think we
12 are pressing this point quite a lot, ^{but} this is about
13 the first case we have come upon where there are no
14 rules, no criteria about cash requirements.

15 MR. RAMSAY: It works quite successfully.

16 COMMISSIONER BROWN: Presumably if it is
17 working successfully, you have a feeling of some kind
18 on a minimum of some kind below which you do not go,
19 and it is this we are trying to explore.

20 MR. RAMSAY: I think it is adherent in the
21 Credit Union Movement, the educational programme,
22 from the credit union level to their individual
23 member, they are dealing in small loans. I think when
24 a member in our credit union talks in terms of \$3000.,
25 we consider this a very big loan. We are thinking in
26 terms of small loans.

27 MR. CHASE: Mr. Chairman, if I may just
28 express an opinion on this, I can understand the
29 problem the Commission has here because I believe
30 in most, if not all provinces, there are certain
requirements as liquidity is concerned. This, as has
been said, is not a factor in Manitoba, and consequently



1
2 I think we have to operate and have been operating to
3 a degree just from day to day on the seat of our
4 pants sort of.

5 I think we have to think in two or three
6 directions. I am not going to go into the question
7 of liquidity, but we do have to think in terms of
8 what is this liquidity, and probably this will come
9 up in the course of further discussion. I think it
10 is a fact that we do not have any formula in
11 Manitoba that ^{would} apply to any credit union to say
12 whether or not that should be liquid. ^{It is,} /as someone
13 said, a simple matter of dealing directly with the
14 financial position of any given credit union at any
15 given time, and this could vary.

16 I think if experience indicates - in
17 Manitoba I'm sure my experience with credit unions
18 in the province, and I think the other gentlemen
19 here probably agree - that if experience indicates
20 that there is a need for restriction of some kind,
21 I am sure the credit unions would be the first ones
22 to agree that something should be imposed, some
23 restriction of some kind should be imposed.

24 So far no need has been felt, but I think
25 I can safely say that the experience of credit union
26 operations in the province has been such that there
27 has been no indication of any immediate need in this
28 respect.

29 The Central Co-Operative Credit Society of
30 Manitoba does not exercise, I think, any control, and
I feel that probably under the credit union legislation
at least it does not have authority to exercise control



1
2 over what position is required as to liquidity of the
3 credit unions.

4 The only control they can exercise would be
5 in the making or granting of loans, and in the
6 granting of loans they might say to a certain credit
7 union: "In order to obtain a loan of so much money,
8 you have to maintain a certain degree of liquidity".
9 This could happen but I don't know of any case where
10 they have done this, but it could happen.

11 I think that this sort of nebulous and very
12 difficult problem here of trying to point to liquid
13 requirements - it is not one of any degree of
14 hesitancy on our part to answer questions, but I
15 think it is the fact that we are dealing in practically
16 all cases with individual creditors.

17 I may say that our department several years
18 ago felt that we should suggest to creditors that
19 they should keep, I think at that time we used a
20 figure of 25 % of their assets in a liquid position.
21 That could mean in bonds, in shares, and things of
22 that kind, we would consider a liquid position. We
23 did make a suggestion of this kind, only a suggestion,
24 because we realized immediately that there were some
25 credit unions that it was an imposition to say that
26 you had to keep 25% of your money liquid, when you are
27 turning over on the basis of pay-day payments where
28 the money is just turning over very, very rapidly.
29 It seems rather ridiculous to say that you have to
30 have 25% liquid aside from all others and not able
to use it for loans to members.



1
2 This same principle would not apply to other
3 types of creditors, but I am only saying in light of
4 experience in the past, that we have not found that
5 there is any great need to impose a general formula
6 or restriction as to liquidity in any creditor.

7 COMMISSIONER GIBSON: In other words, where
8 the loans are small personal loans, where you have a
9 frequent repayment schedule, you are more likely to
10 think in terms of lower liquidity than when, as in
11 the case of quite a few of the unions, you may have
12 to allow a mortgage loan. Would that be correct?

13 MR. CHASE: That would be a true thing, yes.

14 COMMISSIONER GIBSON: I notice from
15 Appendix N there is a list of credit unions and it
16 shows personal loans and mortgage loans, and there
17 is a tremendous variation between individual credit
18 unions. Some of them do not have any mortgage loans;
19 some of them have a lot. Are there substantial
20 differences in liquidity standards in the one where
21 you have a sizeable mortgage loan operation?

22 MR. CHASE: I am afraid I could not make
23 that up offhand. Some of the others may.

24 COMMISSIONER GIBSON: Can you tell me a
25 little about the mortgage loans. Would they generally
26 be larger than the personal loans?

27 MR. BOWLES: Yes, the mortgage loan situation
28 insofar as credit unions is concerned is rather
29 unusual in this, that the bulk of the credit unions do
30 not lend extensively in the mortgage loan field, but
31 there are certain credit unions, particularly those
32 that are attached to an ethnic group - these people do not



1
2 seem to require the type of personal loans that other
3 credit union members may do. Some of them are
4 exceedingly thrifty and the only use that they would
5 make of their credit union is when they need a
6 substantial sum of money perhaps for the purchase of
7 a house or the building of a house on a piece of
8 land that they own. There are perhaps two or three
9 such credit unions.

10 Now, those credit unions, if you look at
11 their statement, you will find a very high preponderance
12 of these mortgage loans, and these other credit unions
13 when you look at the statements you will see
14 practically no mortgage loans.

15 The feature about the liquidity situation
16 is this, that although the credit unions that have a
17 high mortgage portfolio may have a statement to
18 indicate a very high degree of liquidity, that is,
19 cash to invested assets, yet in fact those credit
20 unions may not be as liquid as the credit unions that
21 are turning over their money all the time. I mean,
22 if everybody asked us for their money at one time,
23 it would be much more difficult to give every member
24 their money at one time. if 75% of the assets are in
25 mortgage loans.

26 COMMISSIONER LEHMAN: I do not think the
27 Commissioners are trying to imply, sir, that a rule
28 is a substitute for good judgment, we are not
29 suggesting that at all; but certain rules or certain
30 criteria do help the exercise of good judgment. That
is our suggestion and we do not want any misunderstanding



1
2 as to the Commission having fallen in love with rules
3 for their own sake. We recognize that good judgment
4 is important in any kind of operation, but certain
5 guides can also be very valuable.

6 MR. WEST: Mr. Leman, I think a little
7 distinction and explanation of those mortgage loans
8 might not come amiss. The main purpose that we keep
9 in mind is that a credit union is established and
10 organized to serve the needs of its members. Now,
11 in the cases suggested by Mr. Bowles, the needs of
12 those members are primarily for the purchase or
13 building of homes, more so than for appliances or
14 automobiles or so forth, whereas that differs in
15 other groups.

16 There is still another area where the credit
17 union is serving its members' needs through the
18 granting of mortgage loans in areas where other
19 institutions refuse to loan money on real estate.
20 I might even pinpoint this and say that one in
21 particular is the area of Flin Flon, where a large
22 portion of the credit union money is loaned to its
23 members for the purposes of real estate mortgages.

24 I think another angle I do not believe has
25 been brought out regarding the amount of money loaned
26 on mortgages which was referred to a while ago, in
27 many instances the purpose of a loan is not necessarily
28 for the purchase of a home, or for land or even for
29 repairs, but in some instances a loan for other
30 purposes as security by real estate mortgage loan, and
that accounts for the high ratio, if I may say.

THE CHAIRMAN: That would really not be a



1
2 mortgage loan; it would be a loan for certain other
3 purposes and might be fairly short term loan.

4 MR. WEST: That is true, sir.

5 MR. CHAIRMAN: And it is secured by a
6 mortgage.

7 MR. WEST: Yes, sir, and the requirements
8 of our reporting and maintaining a distinction between
9 the two types of loans is also a government
10 requirement, that all those loans secured by mortgages
are segregated and reported as such.

11 THE CHAIRMAN: You do lend money though on
12 mortgages in some cases.

13 MR. WEST: Oh, yes.

14 THE CHAIRMAN: What sort of mortgage do you
15 invest in?

16 MR. WEST: They are all on residential homes
of their own members.

17 THE CHAIRMAN: Are they second mortgages?

18 MR. WEST: In most cases first mortgage. I
19 believe first mortgages predominate. Most credit
20 unions will not loan money on anything but a first
21 mortgage. I know our credit union will not. The
22 term of repayment, of course varies. Some are long
term and some are comparatively short term.

23 THE CHAIRMAN: Most of them would be at
24 least five year.

25 MR. WEST: Oh definitely.

26 THE CHAIRMAN: What amounts would they
27 represent in individual cases?

28 MR. WEST: I cannot speak for too many of
29 the credit unions, but our own credit union,
30



1
2 Commercial Telegraphers we go as high as \$10,000.,
3 bearing in mind at all times, that the loaning of
4 money for mortgages purposes is not restricting the
5 needs of the members for any short term loans. It
6 is only surplus money.

7 : ~~Mr.~~ COMMISSIONER GIBSON: Does the League have
8 any policy with regard to the kind of loans that
9 should be made by newly formed credit unions? Do you
10 have a general policy that you merely make personal
11 loans and does the mortgage business develop after-
12 wards or do you sometimes set up credit unions with
13 a view to making mortgage loans?
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any policy with regard to the kind of loans that should be made by newly formed credit unions? Do you have a general policy that you merely make personal loans and does the mortgage branch develop afterwards or do you sometimes set up credit unions with a view to making mortgage loans?



1 MR. BOWLES: Section 61 of our brief,
2 page 20, sets out generally and not slavishly but
3 generally the policy that the credit unions will
4 follow in respect of their policy and the use of
5 money.

6 COMMISSIONER GIBSON: This put an
7 emphasis generally on personal loans?

8 MR. BOWLES: Exactly.

9 COMMISSIONER GIBSON: But your record of
10 the individual unions as we were saying earlier
11 shows a quite wide variation. What I am trying
12 to get at is are the credit unions tending to move
13 into the area where the building societies are?
14 Is there some tendency in that direction on these
15 personal mortgage loans?

16 MR. BOWLES: I would say not. Of course,
17 everything is a matter of degree but because of
18 the demand for money from their members for per-
19 sonal, provident and productive purposes, as we
20 say, there has not been an unused pool of funds
21 which they could afford to move into the mortgage
22 field even though the borrowers might be considered
23 to be credit worthy and the fact that they want to
24 buy a house was considered to be a provident
25 purpose but the policy generally is to stay away
26 from the type of loan that would tie up the use of
27 that money by some of the other members.

28 COMMISSIONER GIBSON: So you have a
29 tendency to think in terms of short term loans
30 except where there are probably reasons and not



1 move into the mortgage business?

2 MR. BOWLES: Very much so. If you refer
3 to paragraph 65 of our brief at page 22 I think
4 it was mentioned that the statistics may be some-
5 what misleading when you look at the proportion of
6 money on mortgage loans because, as was pointed
7 out, the credit unions have to report to the
8 department on a certain form and they ask: What
9 is the security? - not what is the reason for the
10 loan. A loan might possibly be to buy a car and
11 yet the same mortgage loan might be given and
12 then that would show in the statistics as a
13 mortgage loan.

14 COMMISSIONER GIBSON: Do you have any
15 idea how much difference that would make?

16 MR. BOWLES: I am sorry, we were not
17 able to find that out because the statistics
18 that we were able to collect are mostly statistics
19 that we were able to have the department secure
20 for us and they just did not have that information.
21 Perhaps some of the managers of the credit unions
22 themselves might give an answer to that. Have
23 you any idea, Mr. Froese, what proportion of the
24 money shown as mortgage loans might be actually
25 made for some other purpose and a mortgage simply
26 be taken as a security and then shown for
27 statistical purposes as a mortgage loan?

28 MR. FROESE: I think that figure would
29 be quite high, sometimes 50 per cent or more. I
30 know many of our loans have been classified as



1 mortgage loans and yet they are primarily for other
2 purposes and just secured by mortgages.

3 COMMISSIONER GIBSON: Would they be loans
4 which have a short period?

5 MR. FROESE: Yes, a very short period.

6 COMMISSIONER GIBSON: Even when taking
7 mortgage security?

8 MR. FROESE: Yes.

9 THE CHAIRMAN: Flin Flon was mentioned.
10 I find it sometimes difficult to visualize what
11 happens with these general average statistics and
12 if we could look at one particular example it
13 might be easier for me at least to follow in that
14 manner as to what was going on. You mentioned
15 Flin Flon as a place where there were perhaps
16 more mortgage loans than normally, that is, in
17 the real sense. Is that right?

18 MR. WEST: Yes.

19 THE CHAIRMAN: It would be interesting
20 for me at any rate if I knew what sort of reserve
21 you had in that particular case as an example.

22 MR. WEST: I had occasion, sir, to visit
23 Flin Flon last fall and I was amazed in looking
24 over their balance sheet to find that approximately
25 50 per cent of their assets were in mortgage loans
26 in a town which is primarily industrial. Naturally,
27 I was curious to know the reason for this and the
28 explanation given to me was that in financial
29 circles -- I presume you would classify it as
30 that -- they have the feeling that the life term



1 of the town of Flin Flon is very limited and that
2 they are a bit reluctant to invest in real estate
3 mortgage loans in the town of Flin Flon because,
4 as some put it, the life expectancy is about ten
5 years. It is a mining area primarily depending
6 upon the one primary industry there and that is
7 why the other institutions are reluctant to in-
8 vest money in long term loans in the town of
9 Flin Flon and, consequently, the demand from
10 the people of Flin Flon turns to the credit unions.

11 THE CHAIRMAN: What sort of reserve do
12 they set up as against that? Have you any
13 figures on that at all?

14 MR. WEST: No, I cannot say -- nothing
15 possibly more than their statutory reserve.

16 COMMISSIONER BROWN: What will happen
17 in ten years' time if it turns out these other
18 estimates were more correct than the estimates
19 of the credit union?

20 MR. WEST: Well, by personal observa-
21 tion I have heard this life expectancy to be ten
22 years for the last 30 years.

23 THE CHAIRMAN: Well, that is so but
24 these things can come to an end some day, some
25 time.

26 COMMISSIONER LEMAN: Looking at the
27 survey of the balance sheets of the co-operative
28 society, Exhibit K, there is a very substantial
29 growth in loans to members through credit union
30 societies which has grown from \$222,000 to credit



1 unions at the end of 1952 up to \$1 million seven
2 nearly at the end of last year. Now, let us take
3 last year, for instance, as at the end of 1961
4 that \$1 million seven loan to credit union
5 societies would represent how many loans about -
6 just a few or a great number or what?

7 MR. SUMMERFIELD: About 100 - 129, to
8 be exact, credit unions is what I am told.

9 MR. SEYMOUR: 129 reported in their
10 annual report.

11 COMMISSIONER LEMAN: So as of that time
12 about half the credit unions were borrowing from
13 the Central?

14 MR. SUMMERFIELD: That would be correct.

15 COMMISSIONER LEMAN: And is there a
16 large variation in what would be the biggest loan
17 from the Central to any one credit union?

18 MR. SUMMERFIELD: I am just going off
19 the cuff now but I would say the largest loan
20 would be approximately \$75,000. The board of
21 directors of the co-op credit society must pass
22 on all loans over \$100,000. The board must do this,
23 the credit committee cannot and to my knowledge
24 last year there were no requests made to the board
25 of directors at all. I would assume knowing the
26 credit unions and the credit union members as I
27 do that the largest would be roughly \$75,000.

28 COMMISSIONER LEMAN: Doesn't it look,
29 though, as if the trend of the loans to credit
30 unions goes up must more percentage-wise in proportion



1 than the deposits themselves?

2 MR. RAMSEY: That would be true of the
3 for the co-operative credit society but apart from
4 that there is a consolidated balance sheet of the
5 credit unions - and there again we are talking
6 about their deposits, their loans and we have to
7 look at Item 11 to show the gradual and continual
8 growth of the deposits of the credit unions them-
9 selves. It is on the very last sheet of the appendix.

10 THE CHAIRMAN: Yes, the consolidated
11 balance.

12 MR. RAMSEY: 10 and 11 give the gradual
13 development or the growth of share capital and
14 deposits. I think this has to be compared to the
15 loans to members.

16 COMMISSIONER BROWN: Referring to that
17 last sheet in making up the items, taking item
18 Cash of \$3,724,000 was that amount as cash
19 deposited to the members in the Central?

20 MR. RAMSEY: I believe that is true.
21 Mr. Chase is the one who could answer that.

22 COMMISSIONER BROWN: Otherwise if that is
23 so this is not a true consolidation.

24 MR. CHASE: These were the figures that the
25 department were able to resurrect for us for this
26 brief from their back records. When we adopted them
27 we did not ask them the very questions that you have
28 put to us now but I think that it is quite proper
29 that we should get you that information.
30

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THE CHAIRMAN: Yes, the consolidated

balance.

MR. RAMSLEY: 10 and 11 give the annual

development or the growth of share capital and
deposits. I think this has to be compared to the
loans to members.

COMMISSIONER BROWN: Referring to what

last sheet is relating to the items, talking about

cash of \$8,714,000 was that amount as cash

deposited to the members in the deposits?

MR. RAMSLEY: I believe that is true.

MR. CHASE: Is the one who could answer that.

COMMISSIONER BROWN: Observation is that is

so this is not a mere consolidation.

MR. CHASE: These were the figures that the

department were able to recover for us for this
brief from their back records. When we adopted them
we did not ask them the very questions that you have
put to us now but I think that it is quite proper
that we should get you that information.



1
2 COMMISSIONER BROWN: I think you have given
3 me the answer because in their report they consider as
4 cash the deposits with Central and Central, of course,
5 does not carry all that cash as cash, so in fact it is
6 not a true consolidation.

7 MR. CHASE: Yes.

8 COMMISSIONER BROWN: It overstates the cash
9 position.

10 MR. SUMMERFIELD: In other words, what you
11 mean is cash on hand and in banks?

12 COMMISSIONER BROWN: Yes and get a true
13 consolidated figure. I think it would be closer to
14 \$2 millions 6 than \$3 million 5.

15 COMMISSIONER GIBSON: Mr. Chairman, when I
16 asked a question about the reasons for growth of the
17 credit unions of Manitoba this subject is mentioned
18 on page five and the emphasis there is on providing
19 reasonable lending facilities. It is also mentioned
20 in spots here and there elsewhere and there is one
21 reference to the lack of adequate financial facilities
22 in some communities. On page eighteen there is a
23 reference to the fact that deposits are so much
24 higher. Would you, Mr. Seymour, care to give us a
25 little statement as to how you weigh the various
26 factors? Would you mind discussing what the organization
27 is doing, discuss the question of interest rates, the
28 amount of small loans, etcetera? This might be very
29 helpful.

30 MR. SEYMOUR: If you do not mind, Mr. Chairman,
I would direct this question to Mr. West. We have asked
him to reply to questions on growth.



1
2 MR. WEST: Gentlemen, as far as the growth
3 of the credit unions in Manitoba is concerned I think
4 we can attribute it primarily to our educational
5 programme in encouraging our members to practice
6 thrift in their savings and also to encourage those
7 eligible people to become members of the credit union
8 within their particular group and also the various
9 benefits that have been developed within the credit
10 union movement through our participation in it and
11 another factor that can contribute to the growth
12 particularly in the urban areas over the past decade
13 might be due to the tremendous influx of people from
14 the surrounding parts of the province which has been
15 very evident in this last number of years and which
16 has increased the number of eligible membership
17 within each particular credit union's sphere of
18 operations. However with the increase in membership
19 there is the increase in share capital, savings
20 and also an increase in the demand for loans. To my
21 knowledge our credit unions in Manitoba do not
22 encourage borrowing. They do not usually put on any
23 publicity campaign as far as borrowing is concerned
24 and rates of interest by other institutions have
25 little or no effect as far as the operations of the
26 credit unions are concerned. Because they are a
27 non-profit organization all the earnings at the end
28 of each year, the surplus earnings after expenses are
29 paid and reserve set aside, are returned to the members
30 so that there is no incentive to bring in large sums
of money as earnings into the credit union because it is



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2 simply turned right back to the members and very often
3 following out the principles and the philosophy of the
4 credit union movement the credit union is organized to
5 help its members in any sphere that it may be able to
6 do that and very often I know in most credit unions and
7 probably all of them we refer our members to the other
8 lending institutions if it is to their advantage to
9 borrow there. That happens quite frequently.

10 In some cases, the members cannot qualify
11 for borrowing from other institutions and others can
12 but wherever it is going to be an advantage to the
13 member that is the purpose of the credit union because
14 in that way they are helping their members. So that
15 the interest rate does not affect too much the
16 operations. There are other incentives, of course,
17 in credit unions such as our insurance benefits which
18 have been developed within our own organizations and
19 also the degree of confidential transactions within
20 the credit union movement.

21 Normally, credit unions do not engage in
22 other forms of credit ratings and in a number of
23 cases their chattel mortgages, of course, are not
24 even registered with the county court which tends
25 to keep the transactions of the members confidential
26 and I think that that is one of the things that the
27 members do appreciate. The flexibility of the hours
28 of doing business and the friendly and helpful
29 consideration in difficult times of the members -
30 I think all of these things are factors that
contribute to the growth of the credit union
membership, its assets and also its loans and by



1
2 continuing that philosophy into the future I cannot
3 see anything but continuing growth of the credit
4 union.

5 COMMISSIONER GIBSON: You have had a very
6 rapid rate of growth in the last few years. Is there
7 any special reason for this? Has there been a rapid
8 increase in industrial credit unions associated with
9 the trade union movement or is there any special
10 factors that account for this extraordinarily rapid
11 rate of growth? If you continue to grow at this rate
12 you would have everybody as a customer within about
13 fifty years.

14 MR. WEST: Well, the expansion of the
15 promotional and educational programme of our credit
16 union league has been primarily responsible for
17 bringing the ideas and the understandings of the
18 credit union practices to more people and I think
19 that has encouraged them. Naturally, there is a
20 little more comment, I don't know whether you would
21 call it publicity or not, in various periodicals,
22 magazines and even the daily press regarding credit
23 unions which inspires a good many people who have
24 the urge to become a member of the credit union but
25 as has been mentioned previously here this morning
26 in a good many instances, those people are not
27 eligible to join any established credit union at the
28 present time and in a good many instances too they
29 are not in a position to even attempt to organize a
30 group where they work, where they live, where they
worship or any of their fraternal organizations they
might belong to. So that in the future I can see



1
2 there is bound to be growth. It is something you
3 cannot stop; it is good and people do want it.

4 COMMISSIONER GIBSON: Do you see any
5 limits to this? You have a very rapid rate of growth
6 now. Do you see this levelling out after a period
7 of time or what sort of growth do you foresee?

8 MR. WEST: It might because the credit
9 unions must organize within a very closely confined
10 group. We are getting back to common bond now but
11 there must be some common association with numbers of
12 people, groups of people together in order to
13 organize into a credit union and I do not think I
14 am speaking out of turn if I say it is pretty strictly
15 enforced by our government supervisory department.
16 So as far as dealing with the public or with
17 everybody on the street is concerned I do not think
18 we will get into it and we are not considering this
19 in the province of Manitoba in the foreseeable
20 future. I do not think we will get into it as much
21 as the province of Quebec. There is a limit, it is
22 such to level off but there is still tremendous room
23 for growth.

24 COMMISSIONER GIBSON: Looking at this
25 factor of growth again I would like to raise the
26 question here of your responsiveness to changes in
27 credit conditions. By and large from what one can
28 see and from what we have heard thus far from credit
29 unions in other provinces they do not seem to be
30 particularly responsive to changes in credit conditions
and interest rates. Would you regard the very rapid



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2 rate of growth as one of the reasons for this?

3 MR. WEST: No, I would not say so because
4 during periods of tight money naturally we use the
5 reserves we have at our disposal or are able to
6 obtain through borrowing from either the credit
7 society or the bank.

8 COMMISSIONER GIBSON: But you have been
9 growing rapidly during these periods of tight money?

10 MR. WEST: Yes. I would say our own
11 experience has been that we have carried on quite
12 normally through these periods. There was one area --
13 I don't know how many years ago now -- ten or twelve --
14 when there were certain restrictions on credit
15 imposed by the Federal Government limiting the size of
16 the loan and the requirements for a certain percentage
17 of the price of an article, and also the term of the
18 loan.

19 COMMISSIONER GIBSON: That was during the
20 Korean War, I think.

21 MR. WEST: Yes, it is some years ago now,
22 but we did respect the regulations of the government,
23 but at the same time we felt that we were justified
24 in using the resources we had and keeping within the
25 requirements as far as time limits and amounts were
26 concerned.

27 COMMISSIONER GIBSON: You have not changed
28 your interest rates when money has been tight? You
29 have carried on more or less in the same pattern?

30 MR. WEST: Yes, it doesn't influence our
interest rates at all. If interest rates went down,
it still would not affect the credit union because we
are giving credit at cost, and if we charge a higher



1
2 rate of interest and return high dividends and
3 patronage dividends it is still going back to the
4 members.

5 COMMISSIONER BROWN: Has there been an
6 increase in the return paid on share capital in order
7 to retain and attract deposits and shares during the
8 period when interest rates were low or high?

9 MR. WEST: I don't think I got your question
10 clearly?

11 COMMISSIONER BROWN: ... Do you find any
12 necessity to compete with other deposit attracting
13 institutions by matching or improving upon the rate
14 of return which they offer?

15 MR. WEST: No. Actually, a credit union has
16 no control over that.

17 MR. RAMSAY: Where you are indicating it is
18 a return on share capital, there is definitely an
19 influence for the province of Manitoba to issue $4\frac{1}{4}\%$
20 bonds. Well, we are morally obligated to our members
21 to give them a rate of return of something of this
22 nature. So, definitely we would be influenced by an
23 issue of bonds of this nature, but not the normal day to
24 day financial transactions on the stock market or any
25 financial increases or decreases in interest rates.

26 COMMISSIONER BROWN: My point is, there are
27 some factors that do influence it, although it is not
28 general.

29 MR. RAMSAY: We are limited, I believe, in
30 Manitoba by a 5% return on capital.

MR. WEST: I would like to follow up there



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2 on my remarks that the credit union has little control
3 over the amount of dividends they pay on their share
4 capital, because at the end of the year whatever
5 surplus remains during that year is returned to its
6 members, and a recommendation is made by the Board
7 which will disburse or distribute that entire amount,
8 or very close to it, that is recommended to the
9 general membership at an Annual Meeting, and they
10 determine what that rate of dividend is going to
11 be within the limits of the money available. So that
12 we cannot up our dividend rate or lower it. It
13 depends entirely on the money at our disposal.

14 COMMISSIONER LEMAN: Your answer seems to
15 refer to paragraph ninety-nine where the statement
16 is made in the matter of dividends, interest and
17 rebate, unions try to maintain a fair sense of
18 proportion. What are the criteria for a fair sense
19 of proportion between these various elements?

20 MR. SUMMERFIELD: Say there is enough to
21 pay a 5% return: rather than do that, the members
22 would prefer a $4\frac{1}{2}\%$ return and a 10% patronage rebate
23 to the borrower. This is quite well established. You
24 cannot have your cake and eat it, so they would prefer
25 to split it both ways.

26 THE CHAIRMAN: We will now adjourn until
27 2:15.

28 MR. CHASE: Mr. Chairman, I don't know that
29 the answer to your problem which you posed about the
30 mortgages in Flin Flon was adequately answered, but
our President has given their last financial statement,
and I think it may be of interest.



1
2 MR. CHAIRMAN: It would be, yes, I think. Have
3 you it now?

4 MR. CHASE: I just wanted to make one
5 observation: you were wondering about the length of
6 period over which these loans might go and if the
7 mine might die before they were paid back. The total
8 mortgage loans were \$504 thousand at the beginning of
9 the year, and of those \$224 thousand were repaid in
10 one year. So that the cash flow would appear to be
11 very rapid from these mortgages. It is almost on
12 a fifty percent basis -- between forty-five and fifty
13 percent.

13 THE CHAIRMAN: Yes. We will resume at
14 2:15 p.m.

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3 On resuming at 2:30 p.m.

4 THE CHAIRMAN: We shall now resume and
5 proceed with the questions.

6 COMMISSIONER BROWN: We were discussing just
7 before the adjournment the question of your competitive
8 insulation from the effects of monetary policy. In
9 view of the fact that monetary policy or changes in
10 monetary policy are frequently implemented by central
11 authorities with a purpose in mind, do you think it
12 is a good thing or a bad thing that you are not
13 affected at all by monetary policy?

14 MR. BOWLES: I don't think it would be a
15 fair statement to say that we are not affected at all
16 by monetary policy, and I think we endeavoured in our
17 brief to indicate the extent to which we are affected.
18 I think it is a fair statement to say that we are not
19 affected by monetary policy to the extent that the
20 banks are affected by monetary policy, and perhaps
21 certain other financial institutions.

22 As to whether it is a good thing we are not
23 affected to that extent or not is, of course, a matter
24 of opinion, and it is our opinion that because of the,
25 shall I say, limited extent of our operation that our
26 operations are of such a type that we do not
27 contribute to, shall I say, ^{the}inflationary spiral if one
28 was in existence. We loan such monies as we have which
29 have been paid in by our members to other members, and
30 we have a certain reserve amount that we might loan
that we might borrow, but as and when a credit union



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2 moves into a borrowing position it does so on what is
3 normally a very short term basis and perhaps
4 anticipating a return of other funds very rapidly so
5 that those borrowings can be paid off. It is our
6 view that in view of the limited size of our
7 operations that our operations are sound not only
8 from a point of view of our credit unions but from
9 the point of view of our membership and from the
10 point of view of the economy generally, and it may
11 be of some interest to the Commission to note the
12 close correlation of the amount of money we have
13 loaned each year compared to the shares that are
14 subscribed by our members.

15 Turning to the second last page of
16 Appendix X, the statistics from 1945 to 1960 and
17 coming down eight lines to the designation "Loans
18 issued during year", those are the new loans that
19 have been issued by all the credit unions for the
20 year captioned at the top, and if, for example,
21 you started, say, at the year 1955 you will note
22 our loans issued during that year were \$ 10 million
23 8 hundred thousand, and comparing that year by
24 turning over the page to our share capital, which
25 is on the liabilities side, column ten, and come
26 down to 1955, you will see that the share capital of
27 the credit unions that year was \$10 million 6 hundred
28 thousand. That is no reference, of course, to the
29 deposits. So that the share capital in 1955, \$10
30 million 6 hundred thousand, is very close to the
total amount loaned, \$10 million 8 hundred thousand.



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3 The next year, 1956, the amount loaned was
4 \$13 million 9 hundred thousand, and again referring to
5 the share capital you will find for 1956 that the
6 share capital was \$13 million, dropping the odd
7 dollars.

8 In 1957, we find that the amount loaned was
9 \$ 16 million 2 hundred thousand and the share capital
10 was \$16 million 2 hundred thousand.

11 In 1958 the amount loaned was \$20 million
12 three hundred thousand, and the share capital was
13 \$20 million 5 hundred thousand.

14 In 1959 the amount loaned was \$26 million
15 one hundred thousand, and the share capital was
16 \$25 million 6 hundred thousand.

17 1960 the amount loaned was \$30 million,
18 and the share capital was \$ 31 million four hundred
19 thousand.

20 So there is a very close statistical
21 relationship throughout between the amount of monies
22 paid into the credit unions by the members of the
23 credit unions as share capital and the new loans
24 that were made in that year.

25 COMMISSIONER BROWN: This also shows up on
26 two parallel lines on the second last page, the third
27 and fourth lines from the bottom. One is the
28 percentage of shares to total assets and the next is
29 the percentage of loans to assets. The percentage of
30 loans to assets starts off at 59 % and goes to 83%.

MR. BOWLES: I'm afraid I am lost.

COMMISSIONER BROWN: The second last page, the



1
2 third and fourth lines from the bottom.

3 MR. BOWLES: Yes.

4 COMMISSIONER BROWN: The first one is the
5 percentage of shares to total assets.

6 MR. BOWLES: Yes.

7 COMMISSIONER BROWN: And the next is the
8 percentage of loans to total assets?

9 MR. BOWLES: Yes.

10 COMMISSIONER BROWN: And the percentage of
11 loans to assets goes up from 59% to 83%, and shares
12 to assets goes up from 40% to 74%.

13 MR. BOWLES: Yes.

14 COMMISSIONER BROWN: This would indicate
15 that shares became a great percentage of your total
16 assets and it would indicate the deposits became
17 less. At the same time loans went up on a parallel
18 basis.

19 MR. BOWLES: Yes. You have taken in the
20 statistics, of course, for 1945.--for the past
21 fifteen years?

22 COMMISSIONER BROWN: That is right. If you
23 take from 1954 or 1955 on, it goes from 80.1% to
24 83.2%.

25 MR. BOWLES: Yes, a fairly close relation-
26 ship, and the interesting thing is that the
27 fluctuation is not very great: 80.1; 80.5; 81.6; 81.3;
28 83.3 and 83.2.

29 Now, the conclusion we draw from that is
30 that we pretty well are lending the monies that come
into us and that we do not have large loans in one



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2 year and then drop back to practically no loans the
3 next year. It seems to be a pretty stable amount,
4 a pretty consistent amount compared to the share
5 capital.

6 COMMISSIONER BROWN: You haven't any
7 calculations or any figures of loans that are turned
8 down. In other words, whether in period of tight
9 money - you loan figure remains the same because no
10 one would lend this money - do you have a call for
11 loans?

12 MR. BOWLES: Well, in 1959 when there was
13 a period of tight money, sir, we do not have
14 statistics because it is a matter perhaps of dealing
15 with them on a month to month basis because that one
16 time in 1959 we did not think there was tight money
17 anyway but towards the fall it seemed to get that way.
18 However we have statistics for our full year of
19 this year of operations. We have made inquiries
20 because we rather expected that a question along this
21 line might be asked of us.

22 We found that it is difficult to find out
23 just whether a large number of loans were applied for
24 that were not granted. No doubt there were some loans
25 that some borrower came to us when they could not
26 borrow elsewhere, and within the ordinary credit
27 union policy of the type of loan and of the purpose
28 for which it is made, the fact that the person was a
29 member, they would try to accommodate him. It may be
30 that in all cases we were not able to accommodate all
of the persons who made applications for loans at that



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2 time but we do not think that the number that were
3 turned down was very large.

4 COMMISSIONER BROWN: I would like to ask
5 one other question on this matter of growth which
6 we were discussing just before the adjournment, and
7 that is, have you any figures to show your new
8 members are predominately would-be depositors or
9 predominately would be borrowers.

10 MR. CHASE: Is that the question of those
11 who joined to get a loan in other words?

12 COMMISSIONER BROWN: Yes.

13 MR. SEYMOUR: I think that the League or
14 the Co-Operative Services have no figures on it. All
15 we can do is speak from our own experience within our
16 own credit unions, and we do have people who joined
17 to get a loan, yes, sure. In fact a lot of people
18 do not hear about a credit union until they start
19 telling somebody that they need to get money from
20 somewhere, they need money for this that or the
21 other thing, and somebody comes along and says:
22 "Why don't you join a credit union". So when they
23 come to us they are in need of money.

24 Then, of course, there are people that do
25 come in that will put down a thousand dollars worth
26 of savings at one time when they join the credit
27 union.

28 COMMISSIONER BROWN: Cannot you tell us
29 whether more people joined to become borrowers than
30 joined to become depositors or visa versa.

MR. SUMMERFIELD: I would say, as a manager,
it is about 25%.



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3 COMMISSIONER BROWN: Which way?

4 MR. SUMMERFIELD: To become borrowers right
5 away or within a very short length of time. That is
6 from one credit union's experience and I asked Mr.
7 West and he would agree with me, about 25%.

8 COMMISSIONER BROWN: One other question and
9 that is, we understand that your Central does not
10 facilitate chequing privileges - using the words
11 "chequing privileges" in the loose sense that you
12 are not allowed to use it, or you say you are not,
13 but I understand that your Central is reluctant
14 to facilitate any use of chequing facilities though
15 among the member credit unions. Is there a reason
16 for this? Have you a philosophy behind this
17 decision?

18 MR. SEYMOUR: Mr. Summerfield, would you
19 like to answer that.

20 MR. SUMMERFIELD: Oh, of course, the only
21 thing would be to be very honest about it and just
22 say it depends upon which side of the fence you are
23 thinking from. There are credit unions that believe
24 that this should be - we are talking about chequing
25 services - that this should be, and there are other
26 credit unions that want no part of it. I cannot
27 say what it should be or should not be as president
28 of an organization, but I can think what it should be
29 or should not be personally. We have both viewpoints
30 and I think it would be most unfair to come out and
say what a person thinks individually.

COMMISSIONER BROWN: But this must have



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2 been decided at the Central level.

3 MR. SUMMERFIELD: No, there is no --

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5 COMMISSIONER BROWN: Why did they decide
6 not to give chequing privileges?

7 MR. SUMMERFIELD: No, there is no laid down
8 policy regarding this. If a credit union goes into
9 chequing services and wants to use Central organization
we comply with their wishes.

10 COMMISSIONER BROWN: In the other provinces
11 this is all done through the Central. It is clear
12 there has been a decision not to give these facilities
13 through the Central.

14 MR. BOWLES: What we meant to convey - if
15 that impression was conveyed, we have left you with a
16 misunderstanding. I think our brief notes that there
17 are only about 15% of the credit unions that use
18 chequing privileges, which may be relatively small
19 compared to the provinces. I am unaware of that but
20 I do not think there has ever been any fixed policy
21 on behalf of the Co-Operative Credit Society of
Manitoba, to discourage or encourage such.

22 COMMISSIONER BROWN: It is perhaps putting
23 you on the spot to ask you to express a personal
24 opinion, but perhaps somebody would like to give us
25 the arguments on both sides of the question, the
reasons for and the reasons against.

26 MR. SEYMOUR: To carry on the conversation,
27 credit unions are primarily for savings and for loans
28 and, as stated here previously, some credit unions desired
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3 chequing services, but those credit unions that desire
4 chequing services are usually in a community where no
5 other chequing service is available to them. So then
6 the credit union says: "Well, our members want it so
7 this is what we will do". Credit unions are autonomous
8 bodies and the Central, that is, either the League or
9 the Co-Operative Credit Society have no control over
10 them. I don't know whether that helps or not.

11 COMMISSIONER BROWN: I understand that.

12 MR. BLACK: Another thing, your credit unions
13 are very small, and to go full time you have to
14 have quite large assets before you get into chequing
15 services. I would say that we only have twenty or
16 thirty full time credit union managers.

17 MR. FROESE: Mr. Chairman, as far as chequing
18 services are concerned, I think in the rural communities
19 where you have chequing facilities it has added to the
20 growth of the credit unions in that it is not
21 necessary for the member to keep a bank account. You
22 have both accounts with the credit union whereas if
23 the credit union is not dealing with chequing services,
24 he has to have a bank account as well as a credit
25 union account.

26 MR. CHASE: I think the figures here bear
27 out what Mr. Black says. Sixty-eight percent of the
28 credit unions will have less than \$100 thousand of
29 assets which I think immediately eliminates 68%,
30 because under \$100 thousand there would be few, if
31 any, that would consider chequing services. Of those
32 in excess of that amount in assets, some might feel



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2 that this service is desirable in their community.

3 As Mr. Froese has suggested, it is something
4 that is useful to the members, and if their members
5 want it there is nothing under our legislation to say
6 they cannot, so they do enter into chequing services,
7 strictly as a service to their members. This
8 undoubtedly encourages others who may desire the
9 same services through the credit union, to belong.

10 It is useful in some credit unions, it is
11 very useful and, I think it has contributed to the
12 growth of some credit unions quite substantially;
13 but in other cases credit unions feel that they do not
14 need it at all, they think they could function very
15 well without it - I think any credit union can function
16 without it - and if they think they can function without
17 it they do and function very successfully.

18 I don't think I know that there are any
19 disadvantages, I doubt if there are any real
20 disadvantages. It is a question of whether it is a
21 need among members of the society.

22 COMMISSIONER LEMAN: I was intrigued a little
23 bit by the ending sentence of paragraph eighty-eight.
24 You explain there that in certain cases a fellow could
25 get a loan from another financial institution and
26 would not have got it despite the fact that the risk
27 was normal, because of the purpose of the loan. What
28 are the purposes you have in mind, business loans or
29 what kind of loans?

30 MR. BOWLES: The basic credit union loaning
principle is that the loan has to be for provident or
productive purposes. At times members will ask for



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2 loans, and the credit union does not consider that
3 that loan, if granted, would be of benefit to that
4 member and they have to decline it. Yet the security
5 that would be offered would be perfectly satisfactory,
6 and the loan from the point of view of the lender
7 might be perfectly safe.

8 COMMISSIONER LEMAN: You could not give me
9 an example of the type?

10 MR. RAMSAY: We had an example quite recently,
11 as a matter of fact, where a chap owned his own home
12 and he wanted to take out a mortgage on his home so
13 he could buy a duplex and in turn rent the duplex
14 and then acquire two homes. We turned him down on
15 the basis that we would require the money for other
16 members rather than a venture of this nature.

17 MR. WEST: Mr. Leman, I could add another
18 example that we experienced only last week when a
19 loan was turned down. The purpose of the loan was to
20 invest in a second mortgage for a short term; in
21 other words the purpose was, or the idea was that
22 when this house would be sold that when this house
23 was sold the money would be paid off and the money
24 would be returned. Well, we looked upon that as a
25 very speculative investment and also one that could
26 conceivable develop into a long term loan rather than
27 a short term, depending upon the real estate market.
28 So on that basis we refused the loan. It might have
29 helped the member but it was not necessarily a
30 productive type of loan.

THE CHAIRMAN: Do credit unions carry a line



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2 of credit with the chartered banks or with the Central,
3 it would be; the credit society does it carry a line
4 of credit?

5 MR. WEST: Some credit unions will carry a
6 line of credit with the commercial banks. Our credit
7 union does, and a good many have a line of credit
8 with the Credit Society.

9 THE CHAIRMAN: And interest rates were raised
10 and there was a tight money period, was your line of
11 credit affected at all?

12 MR. WEST: It was affected to this extent,
13 that the monies loaned to us at that time were not
14 called - and all these loans are call loans, - but
15 we could not at that time increase our borrowings.
16 There was no demand from the banks for the repayment
17 of that loan.

18 THE CHAIRMAN: Normally you could have
19 increased you loan?

20 MR. WEST; Yes, we could have increased it
21 over what the actual amount was at that time.

22 MR. FROESE: I think when we had the tight
23 money policy in 1958 it came around the late summer
24 or early fall, and by that time most of loans had
25 already been made, so we were not too affected.

26 COMMISSIONER GIBSON: Would you be affected
27 at the time of tight money by your unwillingness to
28 sell liquid assets, that is, unwillingness on the
29 part of the Central to sell securities at a loss?
30 This is one ways that tight money tended to affect a
lot of other financial institutions, who did not want



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2 to sell what you might call secondary reserves or
3 securities at a loss. Therefore it tightened up on
4 their loaning activities. This affected the banks,
5 for example, and a numbers. Did they have any
6 influence on your position?

7 MR. WEST: Speaking of the Central?

8 COMMISSIONER GIBSON: Speaking of the Central,
9 yes.

10 MR. SUMMERFIELD: The question specifically,
11 please.

12 COMMISSIONER GIBSON: Did unwillingness to
13 sell securities at a loss when money was tight, tend to
14 tighten up you loaning policies, that is, loaning
15 policies in relation to the credit unions?

16 MR. SUMMERFIELD: The only difficulty we
17 had, sir, was possibly a delay of a period of time,
18 from, say, a week from two weeks in putting the
19 money out. We did not sell anything to get the
20 money.

21 COMMISSIONER GIBSON: You did not have to
22 sell any securities that you held as a reserve?

23 MR. SUMMERFIELD: No, we did not. We might
24 have had to delay loans for a period of up to two
25 weeks, but that was all. Everybody received the
26 money that they requested but with possibly a slight
27 delay of a period of time, and I think the period of
28 time, if I can recall correctly, was from about the
29 fifteenth to the end of July.

30 THE CHAIRMAN: What was the cause of that
delay?

MR. SUMMERFIELD: We just didn't have
enough money. I mean, we had so much money to loan



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2 and we could borrow so much money, and we could not
3 give them that immediately.

4 COMMISSIONER GIBSON: Then you did not
5 wish to sell securities at a loss?

6 MR. SUMMERFIELD: No.

7 COMMISSIONER GIBSON: Because everybody was
8 in that position at that time?

9 MR. SUMMERFIELD: That is correct.

10 COMMISSIONER GIBSON: One other point here.
11 You say on page thirty-three that about one third of
12 your credit unions are more affected by business
13 loans than by credit conditions that affect the
14 business community, the other two thirds not being
15 so greatly affected. Then are the third that are
16 borrowing mainly from the Central? I am not quite
17 clear if this is so. Perhaps you could elaborate
18 a little.

19 MR. BOWLES: I don't know how to properly
20 assess which of those credit unions they were,
21 except that we tried to find out about what
22 percentage of the credit unions might be more
23 directly affected by business and the percentage
24 that was dealing merely with individuals, and we
25 decided that a fair assessment was that about a
26 third of the credit unions, frequently the ones in
27 the country where there may be no bank or where
28 there is a strong rural group, we would consider
29 that they were affected by the business in that
30 community. These are mostly, I think it is fair
to say, rural credit unions.



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3 COMMISSIONER GIBSON: How would they be
4 affected, this is what I am not clear about?

5 MR. FROESE: I think this came about in
6 1958 when we had the tight money policy in effect.
7 People went to the banks and were refused loans and
8 as a result they came to the credit union when we
9 had funds available, and we gave them the loans
10 that they requested.

11 COMMISSIONER GIBSON: The unions that got
12 this extra pressure of demand then found themselves
13 in fairly tight circumstances. Do you mean, in other
14 words, is this why the one third were more directly
15 affected than the other two thirds?

16 MR. FROESE: Well, it would be that because
17 their line of credit was cut and the credit unions
18 went to Central and the Central did not have the
19 money as already stated by Mr. Summerfield and these
20 were the ones that were affected.

21 COMMISSIONER GIBSON: And this would be
22 the credit unions that were in debt to the Central
23 and would likely want to borrow more and found they
24 could not do it at that time?

25 MR. BOWLES: I think perhaps that was not
26 the intent of this particular section. It may not
27 have been worded very well. I think the idea that
28 we wanted to convey was that one third in the
29 credit unions in Manitoba at times have loans that
30 affected the business community. I do not think
that any of the credit unions were themselves
affected by being put in a tight position by loans
that they had made to business at that time.



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2 COMMISSIONER GIBSON: Oh, I see.

3 MR. BOWLES: About one third of the number
4 of the credit unions in Manitoba have at times made
5 loans which might be classified as business loans and
6 yet they are not dealing exclusively in business but
7 there would be about one third who had anything to do
8 with that type of lending.

9 COMMISSIONER GIBSON: In other words, you
10 are not saying that credit conditions tightened their
11 affairs but that they had loans that were part of the
12 broader credit stream?

13 MR. BOWLES: Yes, that was the intent when
14 that paragraph was written. I am not prepared to say
15 whether there were any credit unions affected in the
16 way you have in mind.

17 COMMISSIONER GIBSON: You see what we are
18 trying to get at is to see how changes in credit
19 conditions affected various financial groups?

20 MR. BOWLES: Yes. This section ninety-eight
21 could be tied in to some extent with section 110 where
22 we mentioned that some of the largest credit unions
23 dealing with banks may be affected directly by changes
24 in monetary policy and yet the bulk of the credit
25 unions, particularly the smaller ones, do not feel
26 that they are affected greatly.

27 COMMISSIONER GIBSON: Well, on this other
28 question that you bring up when you say about one
29 third of the credit unions have a significant portion
30 of loans to business at one time or another what kind
of loans are these? Are they loans perhaps to



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2 co-operatives and certain business, or what?

3 MR. BOWLES: I do not think it would be fair
4 to say that they have any significant portion of loans
5 to businesses but about one third of them had some
6 dealings that might be considered to be in the nature
7 of a loan in connection with a business affair. There
8 were no doubt some credit unions that took a
9 substantial portion or a number of business loans.

10 COMMISSIONER GIBSON: Some of your credit
11 unions lend to regular incorporated companies, I
12 take it, do they? You do not limit them only to
13 members and co-operatives?

14 MR. BOWLES: No, they are limited to members.

15 COMMISSIONER GIBSON: They are entirely to
16 members?

17 MR. BOWLES: Absolutely.

18 COMMISSIONER GIBSON: Can an incorporated
19 company join a credit union?

20 MR. FROESE: Yes, we accept almost any type
21 of business as members.

22 COMMISSIONER GIBSON: Is this general or is
23 it only applicable in the case of certain types?

24 MR. FROESE: The community type.

25 MR. BLACK: If the company would qualify for
26 the common bond.

27 COMMISSIONER GIBSON: This would be mostly
28 small companies, I take it?

29 MR. BLACK: Yes.

30 COMMISSIONER BROWN: I would like to revert
for a moment to the 1959 situation again. If you look



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2 on the first page of Appendix K you will see that at
3 December 31st of 1958 -- this is the summary of the
4 balance sheets of the Co-Operative Credit Society -
5 on December, 1958 your loans to members were
6 approximately half of your total assets but by
7 December 31st, 1959 the loans to members were up to
8 about 90% of your total assets because there was,
9 first of all, either called or paid off loans to
10 co-operatives that were outstanding at the end of
11 1958 and in addition you suddenly acquired a bank
12 loan of \$325 thousand at the end of 1959. Has this
13 got any connection with the tightening of the money
14 market that took place in 1959? Apparently there
15 was a sudden call in that year from your member
16 credit unions for a large increase in their loans
relative to your total assets?

17 MR. FROESE: Mr. Chairman, I think at that
18 time we had not established as large a line of credit
19 with the banks that year as the year following. That
is one reason.

20 COMMISSIONER BROWN: In 1958 there was no
21 borrowing from the bank and you had a loan \$308
22 thousand out to the co-op and at the end of 1959
23 you had not only called that loan from the co-op but
24 in addition you had \$325 thousand borrowed. So that
25 was a net change of over \$700 thousand on those two
26 figures which indicated a tremendous increase in the
27 demand for borrowing for loans from your own members
28 in 1959 which you were apparently able to do. I
wondered if you would care to comment on that and
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30



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2 explain to us what took place?

3 MR. SEYMOUR: It looks as though there was
4 a bigger demand from the credit unions in 1959 than
5 what there was in 1958.

6 COMMISSIONER BROWN: That is my point.

7 MR. SEYMOUR: In 1958 there was a loan of
8 \$380 thousand to a co-operative association which
9 would not have been loaned to that co-operative if
10 the credit union had been demanding loans from the
11 Co-Operative Credit Society because normally the
12 Co-Operative Credit Society does not loan to
13 co-operatives; they do loan to credit unions only
14 pretty well.

15 COMMISSIONER BROWN: That is my whole point.
16 In 1959 apparently there was a very large proportionate
17 increase in the requirements by the credit unions.

18 MR. SEYMOUR: It would appear so.

19 MR. BOWLES: Yes, that is so.

20 COMMISSIONER BROWN: I wondered how that
21 fitted in with the discussion you were having about
22 the tight monetary situation in 1959?

23 MR. WEST: I guess that would explain why
24 the delay in making some of the loans to the credit
25 societies but only for a matter of a couple of weeks.
26 I think this \$308 thousand to the co-operatives at
27 that time, that has been the pattern in the Credit
28 Society where surplus money was available and when
29 the demands from the credit unions perhaps became
30 acute that money was recalled and in addition, as
you said here, an additional amount of \$325 thousand



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3 was borrowed from the banks.

4 COMMISSIONER BROWN: What I am trying to
5 find out is, is this some indication that when monies
6 are tight elsewhere that the members of the credit
7 unions were able to get it through their own credit
8 unions when they could not get it elsewhere?

9 MR. WEST: I think these figures would
10 indicate that.

11 MR. SEYMOUR: That certainly could have been
12 the case. I am trying to go from memory but the
13 repayment from credit unions during 1959 as at the
14 end of 1959 were coming in very, very well so that
15 would indicate that instead of repaying the Credit
16 Society as we normally did we were reloaning this to
17 their own members. That might have a great effect on
18 what you are just saying. It would certainly have a
19 large bearing on it.

20 COMMISSIONER BROWN: Thank you very much.

21 It is just what I think were the additional
22 factors here. At the end of 1958 I think it is rather
23 apparent that the Credit Societies put on some kind of
24 an effort to obtain additional funds from it members,
25 co-operatives or credit unions and mainly credit
26 unions in this case because deposits increased very
27 substantially in 1958. So that it was a fact that
28 while money was not needed by the credit unions in such
29 substantial quantities in 1958 it was needed in 1959
30 and was obtained from members substantially.

MR. SEYMOUR: That is true of that increase
in 1959.

COMMISSIONER BROWN: What I am trying to

find out is, is this some indication that when monies
are tight elsewhere that the members of the credit
unions were able to get it through their own efforts
unions when they could not get it elsewhere?

MR. WEST: I think these figures would

indicate that.

MR. STANLEY: That certainly could be done.

the case. I am trying to go from memory but the
report from credit unions during 1939 as at the
end of 1939 were going in very, very well so that
would indicate that instead of repaying the credit
societies as we normally did we were releasing this to
their own needs. That might have a great effect on
what you are just saying. It would certainly have a
large bearing on it.

COMMISSIONER BROWN: There was very much.

It is not that I think that the situation

exists here. At the end of 1939, when in the same
statement that the credit societies put on some kind of
and that to obtain additional funds from the members.

co-operatives or credit unions and really credit

unions in this case because deposits increased very

substantially in 1939. So that it was a fact that

while money was not needed by the credit unions to such

substantial quantities in 1938 it was needed in 1939

and was obtained from members substantially.

MR. STANLEY: That is true of all financial



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3 COMMISSIONER BROWN: Yes a good deal of
4 that was withdrawn in 1959, it was down again to the
5 same level as in 1957.

6 MR. SEYMOUR: Yes, that is correct.

7 COMMISSIONER BROWN: And in fact you will
8 notice the total contribution by members at the end
9 of 1959 was less than that at the end of 1958 by
10 over \$100 thousand.

11 MR. SEYMOUR: Yes, heavier withdrawals.

12 COMMISSIONER LEMAN: I see that Mr. Froese
13 is coming back. As I understand it we can deal with
14 the Winkler brief at the same time?

15 THE CHAIRMAN: Yes, we are going to follow
16 up with the Winkler brief.

17 COMMISSIONER LEMAN: May we just ask Mr.
18 Froese some questions about the Winkler Credit Union
19 without any break in the discussion because the
20 questions are all related to the other ones we were
21 asking of the League and the Credit Society?

22 MR. FROESE: You did not want the brief read?

23 COMMISSIONER LEMAN: We have all read it.

24 THE CHAIRMAN: I have discovered we have all
25 read it since you have spoken to me.

26 MR. FROESE: I have two more people here with
27 me who would like to sit in with me.

28 THE CHAIRMAN: But if you can be prepared to
29 answer questions on the brief it would be very helpful
30 to us I am sure.

31 COMMISSIONER BROWN: Perhaps the others can
32 sit because something may develop out of this.

33 THE CHAIRMAN: Oh yes, don't go away.



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2 MR. SUMMERFIELD: We thought you would let us
3 go first.

4 MR. FROESE: Mr. Chairman, before we go into
5 a discussion of the Winkler brief I would like to
6 introduce Mr. Peebles Kelly who is a consultant
7 accountant and Mr. Henry Wiebe, the manager.

8 MR. SEYMOUR: Mr. Chairman, may I just
9 express to those here the fact that the brief from
10 the Winkler Credit Union is an independent brief.
11 The Credit Union League or the Co-Operative Credit
12 Society had nothing to do with the preparation of it.

13 THE CHAIRMAN: Yes, I understand that.

14 COMMISSIONER LEMAN: The advantage of dealing
15 with this on a joint basis is that right through the piece
16 now we have been talking with the League and the Credit
17 Society and we have looked at the statistics embracing
18 the whole group without too much of a good look at a
19 credit union as such. We are now, as I understand it,
20 dealing with the Winkler Credit Union and dealing with
21 a large one. It would be classed as one of the
22 largest ones in the group, wouldn't it?

23 MR. FROESE: It is the largest one affiliated
24 with the movement in Manitoba.

25 COMMISSIONER LEMAN: So this gives rise to
26 some of the same questions that we were asking this
27 morning. For instance, on this question of not dealing
28 with the public, I have never been in Winkler so I
29 think I would like to find out a few things about it.
30 I gather you have 3400 people in this credit union?

MR. FROESE: That is right.



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3 COMMISSIONER LEMAN: And I also understand
4 from the first page of your brief that the population
5 of Winkler is about seven thousand, is that right?

6 MR. FROESE: That includes the rural
7 community with the town.

8 COMMISSIONER LEMAN: So here is a case where
9 the credit union is dealing with a very, very
10 substantial portion of the area?

11 MR. FROESE: Yes.

12 COMMISSIONER LEMAN: Now, are there
13 commercial banks in Winkler?

14 MR. FROESE: There is one.

15 COMMISSIONER LEMAN: There is just one?

16 MR. FROESE: Yes.

17 COMMISSIONER LEMAN: What do you find happens?
18 If you make a loan to one of your members in Winkler
19 where does the money go?

20 MR. FROESE: Quite often the member
21 naturally gets it but quite often his money comes back
22 to us because of the repayment of some other borrowing
23 and the money might return to us. It might also go
24 to the bank naturally.

25 COMMISSIONER LEMAN: Have you made any
26 studies of this phenomenon of how much of your loans
27 come right back in the form of deposits into the
28 credit union?

29 MR. WIEBE: I do not believe, sir, we have
30 the statistics but a very good portion of the money
comes right back.

COMMISSIONER LEMAN: So that you run into



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3 what we might call a snowball effect there?

4 MR. FROESE: That is right.

5 MR. SMITH: How would that be classified as
6 snowballing? Is snowballing increases as it goes down
7 the hill but this is putting back and forth through
8 one credit union. It would not have a snowballing
9 effect.

10 COMMISSIONER LEMAN: Perhaps snowballing was
11 not the right word to use.

12 COMMISSIONER BROWN: It would be available
13 again for lending?

14 COMMISSIONER LEMAN: This money, if it comes
15 back into the credit union in the form of deposits or
16 more subscriptions for shares would be available for
17 lending again, wouldn't it? In other words, it seems
18 as though there might be the development of a
19 phenomenon here quite similar to what happens to a
20 bank operating in a similar area. Is that so, Mr. Froese?

21 MR. FROESE: I would assume that to be the
22 fact.

23 COMMISSIONER LEMAN: If it were so, would
24 you assimilate that to what is generally referred to
25 as economists as the creation of credit by your own
26 activities?

27 MR. FROESE: Well, we maintain that we are
28 not creating credit because we are just dealing with
29 the funds that we get from our members. We are not
30 actually creating credit; we are simply dealing with
funds that our members subscribe.

COMMISSIONER LEMAN: Well, I am not an



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2 economist myself. I am just wondering in what sense
3 you can think that a commercial bank would be set to
4 create credit than if you do not?

5 MR.FROESE: Probably you would have to check
6 in the Bank Act because it is evident that there must
7 be some source of credit creation; otherwise how could
8 the economy expand - and I am not an economist either.

9 COMMISSIONER MACKINTOSH: Why are so many
10 people saying that they are not economists? What Mr.
11 Froese is saying is very like what a great many
commercial banks have said three decades ago..

12 MR. WIEBE: I would like to elaborate on
13 that one point as far as money coming back to us is
14 concerned. In our community, we find that we are
15 dealing with the younger member on the basis of loans
16 when he is trying to get started, say, in a farming
17 project or some other business venture. As the members
18 grow older, when, for instance, when an older member
19 sells his farm, he has been helped out by the credit
20 union when he is younger and that is the place he
21 brings his savings when he sells his farm. So we
22 actually have the older generation helping the younger
23 generation. That is what it amounts to to a large
extent.

24 COMMISSIONER LEMAN: In the Winkler brief
25 there is right on the first page a summary of the
26 points you want to mention and one of them is that
27 you feel strongly that the present provincial
28 chartering, flexibility or liquidity and present
lending practices be maintained, et cetera, and that

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3 supervision be left with the province and you also say
4 that you would not like to see any further legislation
5 that would interfere with your ability to mobilize
6 funds, et cetera. What I am wondering is what type of
7 thing are you against here? Are you afraid of the
8 type of regulation or legislation that would completely
9 collapse the movement or what are you afraid of
really?

10 MR. FROESE: I do not think it is a matter
11 of being afraid of it, but we have seen what happens
12 in other provinces where you have a definite
13 regulation as far as liquidity is concerned. If you
14 had to have a 20% liquidity in Manitoba that would
15 mean we could not lend out as much money as we do at
the present time. This is only one point.

16 COMMISSIONER LEMAN: Whoever would discuss
17 and consider regulation and legislation would not do
18 it with the purpose of hurting the movement? At
19 least, no good public authority would want to do that.
20 Usually we think of the legislator as someone who
21 passes legislations or organizes a pattern of
22 regulation in order to improve or produce some desirable
23 results. We do not think of the legislator as being
a destructive element in our society, do we?

24 MR. FROESE: I think it can also be over
25 done, and I think we have an example in the Canadian
26 Co-Operative Credit Society which was formed some
27 years ago, and the Manitoba Credit Society joined that
28 organization, and as a result it came under the
29 restrictions of the Canadian Act, and as a result we
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2 have to have much more money tied up in bonds which
3 ordinarily and before that could have been used by the
4 members, and we don't want the same thing to happen to
5 our credit union in Manitoba.

6 COMMISSIONER GIBSON: Your own credit union --
7 you have a fairly fixed idea about what an appropriate
8 liquidity position is: do you usually keep so much in
9 cash or securities or deposits with the Central or does
10 this vary.

11 MR. WIEBE: I think we have a fairly fixed
12 pattern as far as our own community is concerned. We
13 usually like to end up the year with a fairly
14 substantial liquid cash fund, because that is the time
15 of the year when people have sold their crops and they
16 don't need as much credit. We find the curve goes up,
17 and dips in July and August, and goes up again. We
18 like to have 15 or 20 per cent of our liquidity at
19 the end of the year.

20 COMMISSIONER GIBSON: You mean in deposits
21 with Central or cash in the bank.

22 MR. WIEBE: And also our bonds and debentures.

23 COMMISSIONER BROWN: What would be the low
24 point during the year for cash?

25 MR. WIEBE: It actually goes right down to
26 where we have been borrowing -- last year, I think it
27 was twenty-three days in July and August, just to
28 carry us through that peak season when the farmers
29 use it.

30 COMMISSIONER BROWN: In other words, you vary
from zero liquidity in July and August up to 20%. At
the end of the year you had --



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3 MR. WIEBE: Three million ---

4 COMMISSIONER BROWN: I am talking about cash.

5 MR. WIEBE: We count the bonds as well.

6 COMMISSIONER BROWN: Let us look at the cash
7 at the end of the year where you had 332 thousand on
8 total assets of 3 million; so that would be about
9 13 per cent, but during the year you would be down to
10 zero?

11 MR. WIEBE: That is right.

12 THE CHAIRMAN: If there were regulations
13 fixing your liquidity requirements at 16 per cent,
14 that would affect your operation as a whole, wouldn't
15 it?

16 MR. WIEBE: Yes, it would.

17 THE CHAIRMAN: Because then you would have
18 to keep that level of liquidity throughout the year
19 when you didn't need it.

20 MR. WIEBE: It would mean our particular
21 operation -- we would have to have liquidity of
22 around 30 per cent.

23 THE CHAIRMAN: I say 15 per cent -- and I
24 am taking it out of the air -- but assuming this is
25 right, if that were applied to an industrial credit
26 union, that might be inappropriate? You might get
27 along with less -- in their operations. I understand --
28 and the point was made before on this question of
29 liquidity -- there were different requirements
30 according to the practice that has been followed in
different types of unions who have different types of
loaning and different categories of people who are

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3 members, and that the situation is different and the
4 requirements would be different in agricultural areas
5 than in some of the urban areas for various reason.
6 So, any one set of regulations might work hardship on
7 certain classes of unions.

8 MR. FROESE: That is correct.

9 THE CHAIRMAN: And if you tailored your
10 liquidity level on the lower scale then it would not
11 protect the unions that should have a higher liquidity;
12 in other words, you would have to have several sets
13 of regulations? Is that the point?

14 MR. WIEBE: That is right.

15 MR. FROESE: I think that is also another
16 reason why you have some large centres in the provinces
17 and small centres in other provinces where you have the
18 liquidity requirements.

19 COMMISSIONER GIBSON: If you make a loan to
20 a member in your community -- and the proceeds of this
21 loan come back to you from the purchase of shares or
22 deposits by other members -- to pay for perhaps the
23 down payment on a washing machine or farm equipment,
24 you get that money back: is there anything from
25 preventing you from lending that money again? In other
26 words, at any given time you say that you have to keep
27 so much cash and so much liquidity ...?

28 MR. FROESE: I think you are quite free to
29 lend that money. We know approximately how much money
30 we need as a liquid requirement in our operations, and
that is what we are getting.

COMMISSIONER GIBSON: You are really only



1
2 concerned about coming out at the end of the year with
3 a good liquid position?

4 MR. FROESE: Normally, we have a very good
5 liquid position at the end of the year.

6 COMMISSIONER LEMAN: Mr. Froese, in paragraph
7 two at the top of page four, you state that the Winkler
8 Union is one of those in that group that has the
9 chequing facilities: how does it work? Have you made
10 an agreement with the bank to let this collection
11 system work out?

12 MR. FROESE: We have to have clearing
13 arrangements with the bank.

14 MR. WIEBE: Yes, it is a local arrangement
15 with our bank in Winkler; they are our clearing bank
16 for a fee.

17 COMMISSIONER LEMAN: And this is not
18 reciprocal; in other words, none of the cheques are
19 drawn on the bank -- would you cash a cheque drawn on
20 the bank?

21 MR. WIEBE: Yes, but we do not receive a fee
22 for it. We just re-deposit it.

23 COMMISSIONER LEMAN: So, except for the fee
24 system, the agreement is on the full reciprocity basis,
25 is it?

26 MR. WIEBE: Yes.

27 COMMISSIONER LEMAN: A little further down
28 in paragraph four you say your union has found it
29 useful to call in a firm of chartered accountants to
30 examine your records "every few years"; is this
regular or on request, or what?



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3 MR. FROESE: We have done this for some
4 time now, where we have chartered accountant audits
5 every other year. We prefer to have these. I am not
6 saying the government is not doing a good job, but we
7 have found from past experience when credit unions get
8 into difficulty the government audit is not recognized,
9 and therefore the chartered accountant audit has to be
10 made at that time. So, in order to be safe, we do have
11 a chartered accountant every other year or so.

12 COMMISSIONER BROWN: Do you not do it on a
13 regular basis?

14 MR. FROESE: We have been doing it on a regular
15 basis for some time now. I think there was one occasion
16 when we skipped two years.

17 COMMISSIONER LEMAN: Perhaps I didn't hear
18 you clearly: what are the benefits you have found by
19 experience from this audit?

20 MR. FROESE: From the chartered accountant
21 audit?

22 COMMISSIONER LEMAN: Yes.

23 MR. FROESE: I think they give us a better
24 analysis on loans. They go through all the loans with
25 the committee and they are analyzed and they report
26 back to the board. Other than that, I don't think there
27 is so much difference.

28 MR. WIEBE: I would like to add that we feel
29 there is a different viewpoint than the viewpoint of
30 the government accountants, and that it is beneficial
from the point of view of good business practice, and
we have appreciated their services very much.

MR. WILSON: We have done this for some

time, where we have experienced considerable

every other year. It is not so easy to do these. I am not

saying the Government is not doing a good job, but we

have found from past experience when credit ratings are

into difficulty the Government tends to be a little

and therefore the Government's record is not so good

made at that time. So, in order to be able to do a

a checked account every other year or so

GENERAL WILLIAM BROWN: Do you not do it on a

regular basis?

MR. WILSON: We have been doing it on a regular

basis for some time now. I think there was one exception

when we shipped two years.

MR. WILSON: I think I should be

you clearly: what are the benefits you have found by

exporting at that time, and if

MR. BROWN: There are one or two reasons

why?

MR. WILSON: I think they give us a better

analysis is on loans. They are through all the loans which

the committee and they are analyzed and they report

back to the board. Other than that, I don't think there

is so much difference.

MR. WILSON: I would like to ask you we find

there is a difference in the way the Government

the Government's record, and that is a big difference

from the point of view of good business practice, and

we have experienced that several times.



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3 COMMISSIONER LEMAN: The chartered accountants'
4 firm never raised this question of the liquidity with
5 you? Has it been discussed quite thoroughly?

6 MR. FROESE: It has never been brought to our
7 attention in the way of criticism at all. It most
8 likely has been discussed, but that is as far as it
9 has gone. I think as far as the government audit is
10 concerned, we all know that they do not have chartered
11 accountants employed by the government in auditing.

12 MR. WIEBE: There is one other feature: our
13 members are used to getting annual audited statements,
14 and it is impossible for the government supervisors to
15 be around just at the year end because they have to do
16 a lot of audits, and in this way we are able to get a
17 year end statement at least every other year from the
18 chartered accountant firm. That is the statement we
19 present to the members, and we feel it is quite
20 important they get one.

21 COMMISSIONER BROWN: You are satisfied with
22 these every other year?

23 MR. FROESE; Well, so far we are satisfied.
24 We might eventually come to the point where we will
25 have a chartered accountant audit every year. It is
26 up to the members to decide.

27 COMMISSIONER BROWN: I notice among your
28 loans, there are forty-four loans for business purposes:
29 about how many business members do you have? You
30 apparently have at least forty-four?

MR. WIEBE: Oh yes, there are quite a few
small business people -- individual enterprise people

small business people -- individual enterprise people

MR. WILSON: Of yes, and also quite a few

apparently have at least forty-four

about how many business members do you have? You

four, there are forty-four firms for business, however

GOVERNMENT MEMOR: I notice among your

up to the members to decide.

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MR. FRANK: Well, so far we are satisfied.

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GOVERNMENT MEMOR: You are satisfied with

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MR. FRANK: It has never been brought to our

you? Has it been discussed quite thoroughly?

firm never raised this question of the I. Phillips with

GOVERNMENT MEMOR: The chartered accountants



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3 who are in business by themselves, and also some small
4 stores in the rural area south of our community. These
5 people are classified as business loans, and they could
6 be classified as personal, I suppose.

7 COMMISSIONER BROWN: And they are businesses
8 that keep an account with you regularly?

9 MR. WIEBE: Yes.

10 COMMISSIONER BROWN: And this is where the
11 re-depositing comes in?

12 MR. WIEBE: Yes.

13 COMMISSIONER BROWN: Could we look at
14 Appendix B: in 1953 and 1954 there was quite a
15 reversal. Apparently a lot of deposits were turned
16 into share capital: presumably this was done as the
17 result of an educational campaign of some kind, or
18 did you want to put the money out on longer term?

19 MR. WIEBE: If you go still further back,
20 in 1948 you will see that most of the money is on
21 deposit.

22 COMMISSIONER BROWN: That is right.

23 MR. WIEBE: And at that time it was the
24 policy of the Board and management not to make a
25 distinction between shares and deposits. Later on,
26 when we embarked on an educational programme, we
27 stressed the fact that the shares were the permanent
28 savings of the members, and deposits were strictly on
29 a temporary basis, and we also changed the interest
30 rate, and back in 1948 the interest was the same for
deposits and shares; later on it was four per cent
on shares and two per cent on deposits. Of course,

who are in business by themselves, and also some small stores in the rural areas south of our community. These people are classified as business loans, and they could be classified as personal, I suppose.

COMMISSIONER BROWN: And they are business loans?

That keep an account with you regularly?

COMMISSIONER BROWN: And this is where the

Mr. Webb: Yes.

COMMISSIONER BROWN: Could we look at

Appendix B: in 1955 and 1956 there was quite a reversal. Apparently a lot of deposits were turned into share capital; presumably this was done as the result of an educational campaign of some kind, or did you want to put the money out on longer terms? Mr. Webb: In you go still further back to 1945 you will see that most of the money is on deposits.

COMMISSIONER BROWN: That is right.

Mr. Webb: And at that time it was the

policy of the Board and management not to make a distinction between shares and deposits. Later on, when we embarked on an educational program, we stressed the fact that the shares were the permanent savings of the members, and deposits were strictly on a temporary basis, and we also changed the interest rate, and back in 1945 the interest was the same for deposits and shares; later on it was four per cent on shares and two per cent on deposits. Of course,



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3 that accounts for the big switch.

4 COMMISSIONER BROWN: Does the chequing
5 privilege apply in both?

6 MR. WIEBE: No, just on deposits.

7 COMMISSIONER BROWN: Can you give us an
8 estimate of the total turnover of deposits?

9 MR. WIEBE: The deposits turn over approximately
10 once a month. We have usually around \$ 500 thousand or
11 \$600 thousand on deposit, and the receipts are usually
12 around that figure and the disbursements also.

13 COMMISSIONER BROWN: Thank you.

14 THE CHAIRMAN: That, then, concludes the
15 hearing on these briefs before us. I wish to thank
16 you very much, gentlemen, for your very valuable
17 assistance.

18 MR. SEYMOUR: Mr. Chairman, may I thank you
19 and through you the members of your Commission for
20 the courteous, considerate and patient hearing given
21 to the Credit Union League of Manitoba Limited and
22 the Co-Operative Credit Society of Manitoba Limited
23 today. I mentioned when I first spoke to you earlier
24 this morning how appreciative our organizations were
25 that your Commission would permit them the time to
26 make the presentation. I want the members of your
27 Commission to know that not only do our organizations
28 appreciate having been given the opportunity to make
29 this presentation, but as well the courtesies shown
30 to us by the Commission which has made our being here
most pleasant for all of us, and, we trust, worthwhile
and
to the import/deliberations which your Commission have



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3 undertaken. Thank you very much.

4 MR. FROESE: May I also add my words of
5 appreciation, Mr. Chairman, for giving us your
6 valuable time.

7 THE CHAIRMAN: Thank you very much,
8 gentlemen. The Commission will now adjourn and the
9 next meeting will be held in the City of Toronto on
10 Thursday of this week at 9:15 a.m. in the Senate
11 Chamber at the University of Toronto.

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18 (Page 1070 follows)
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Mr. Chairman, for giving us your

Mr. Chairman: Thank you very much.

The Commission will now adjourn, and the

meeting will be held in the City of Toronto on

of this week at 9:15 a.m. in the Senate

at the University of Toronto.

(Page 1070 follows)

Royal Commission on Banking and Finance

Hearings
held at
Winnipeg

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Nethercut & Young

Toronto, Ontario

TO

ROYAL COMMISSION ON BANKING AND FINANCE

SUMMARY ON BRIEF OF CREDIT UNION LEAGUE
OF MANITOBA LIMITED AND CO-OPERATIVE
CREDIT SOCIETY OF MANITOBA LIMITED

April 9th, to 11th, 1962.

The Credit Union League of Manitoba Limited and
Co-Operative Credit Society of Manitoba Limited submit the
attached brief for your consideration.

We have outlined our objects and purposes, our corporate
organization, our relationship with others, and our inter-relationship
with each other.

Our purposes are to furnish each other credit at cost.
We have outlined in our submission the methods, practices and
policies we employ to achieve this result.

Credit Unions were born not only to encourage thrift
and savings, but to fill the credit needs of small borrowers.
These needs were not being adequately satisfied. The result of the
inadequacy was that exorbitant interest rates, fees and charges
were exacted for the use of credit by those who took advantage of
the lack of service and credit facilities, or that the small borrower
could not get a loan at all. Credit Unions hoped by the use of the
small savings of many to furnish loans to members at a reasonable
cost. In this they have been successful, and while Credit Unions do
not in one sense regard themselves as being in competition with banks
and finance companies, whose policies do not determine nor unduly
influence Credit Union policy, yet in another sense Credit Unions may
be competitive in that they offer an alternative place to save and a
source of borrowing.

We draw your attention to the proud record we have in
Manitoba that no Credit Union member has lost money in his investment
in a Credit Union, a record of which we are very conscious and very
anxious to preserve.

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

The Credit Union League of America, Inc.,
Co-operative Credit Society of America, Inc.,
attached brief for your consideration.

We have outlined the objects and purposes of our organization, our relationship with other organizations, and our relationship with each other.

Our purposes are to develop credit unions and to have outlined in our constitution the powers, organization and

Credit Union was born not only to serve the needs and savings, but to fill the credit needs of small businesses.

These needs were not being adequately satisfied. The result of this
independence was that each credit union was a small business, not only
were created for the use of credit, but also for the purpose of
the lack of services and credit facilities, in fact, the credit union
could not get a loan of \$100,000, which would be used by the credit union
small amount of money to develop credit unions in other parts of the
country. In fact, there have been thousands of credit unions in the
not in our country, and we have a credit union in every state.
and financial cooperation, which is the basis of the credit union movement.
influence credit union policy, and in addition, we have a credit union
the cooperation in that they have an organized plan to serve the
needs of borrowing.

We have your letter in the file, and we are
willing that a credit union is a small business, and it is
in a credit union, a record is made of the credit union and the
movement in progress.



1 We feel that the present Government audit and
2 regulations are adequate for the protection of ourselves and our
3 members. We do not deal with the public generally. Our operations
4 are confined to our membership.

5 We recognize that safeguards that appear to us
6 today as adequate and satisfactory may appear tomorrow as
7 imperfect and outmoded. Accordingly, while our safety precautions
8 have proven in the past as sufficient, yet we are continually seeking
9 ways to improve our operations and the assurance that our members
10 have that their savings are secure. Our funds are used primarily
11 for loans to our members and our losses are remarkably low. Our
12 brief discusses the reasons for this as it also discusses factors
13 influencing the growth in numbers of Credit Unions and in the amounts
14 of their assets.

15 The percentages of cash and liquid reserves are not
16 governed by law in Manitoba. The average cash and liquid reserve ratio
17 is 15% but the desirable reserve ratios vary as between Credit Unions.
18 A larger cash and liquid reserve ratio is required where a Credit
19 Union serves a business community or operates a "chequing" service.
20 Co-Operative Credit Society of Manitoba Limited acts as a central
21 place for Credit Unions and Co-Operatives to deposit funds, which
22 they do not need immediately and from which to borrow funds if
23 members needs exceed the cash available. Co-Operative Credit Society
24 of Manitoba operates on the basis of keeping within the cash and
25 liquid reserve ratios as established under the Federal Co-Operative
26 Credit Societies Act.

27 Our Brief notes the relationship between Credit Unions,
28 the Co-Operative Credit Society of Manitoba, and the banks, and notes
29 that while Credit Unions can operate without banking facilities, if we
30 speak of a very limited service, yet by the use of banking facilities,
Credit Unions are enabled to give a much broader service to their
members. Our Brief discusses loan policies, rates of interest charged,
and notes that the interest rate on loans is not set by reference to



1 competition but to the fundamental Credit Union principle that all
2 surplus is returnable to borrowing members in the form of a rebate
3 of interest with the objects of giving credit at cost and paying
4 a reasonable return to saving members.

5 Members are not encouraged to borrow just because the
6 Credit Union has available funds. Our purpose is not primarily to
7 make full use of all our funds at all times in order to make a
8 maximum return on our capital, but is to service as fully and
9 economically as possible our members' loan needs for provident or
10 productive purposes. To achieve this object Credit Unions may at
11 times have substantial cash and liquid reserves on hand and at other
12 times may have to borrow from the Co-Operative Credit Society of
13 Manitoba or its bankers, money to reloan to members. Credit Unions
14 endeavour to keep such borrowings on a short term basis.

15 While at the moment a system of deposit insurance does
16 not seem to be needed, yet we do not reject the idea as impractical.
17 Circumstances may develop which would make it desirable in the
18 over-all interest of our members and our community generally. If
19 deposit insurance was to be required or made available, we would
20 want continued freedom to satisfy all legitimate loan demands of
21 our members and not be fettered by unreasonable loan restrictions.
22 We know from experience that moderate loans to our members with or
23 without security which other financial institutions might reject,
24 are perfectly justified and will be repaid as these members are
25 credit-worthy.

26 Our brief notes to what extent we consider ourselves
27 as competitive to banks and other financial institutions, and notes
28 that our relationship with banks at the local level is pleasant and
29 satisfactory.

30 Credit Unions and the Co-Operative Credit Society of
Manitoba do not regard monetary policy as affecting them to the
same degree as it affects banks or some other financial institutions.
Nor do they believe they affect monetary policy greatly. They are
limited in their dealings to the needs of their members and to the



1 loaning to members of available funds. They are, however,
2 indirectly affected by monetary policy as it affects their
3 membership generally.

4 Our brief notes that 90% of the income from Credit
5 Unions is interest on loans and only 10% from investments. It
6 gives an analysis of income and expenditures.

7 The League emphasises the education efforts made
8 by itself and Credit Unions to encourage savings and thrift.
9 Credit Unions welcome the smallest savings. Members sometimes
10 save as little as 25¢ at a time.

11 The needs of our members have meant that most of our
12 funds are loaned out on a moderately short term basis and we do
13 not have a large pool of unused funds for long term National
14 Housing Act mortgages nor would it be good business for Credit
15 Unions to tie up so much money for so long a time. Credit Unions
16 should be in a position of being able to fill the loan needs of
17 their members for smaller sums and for shorter periods. However,
18 if there was a secondary mortgage market in which National Housing
19 Act loans could be sold readily for cash, Credit Unions would be
20 interested in making and servicing such loans as many of their
21 members are in need of them and would qualify.

22 Credit Unions consider their proper field of activity
23 to be to serve their members by encouraging them to save regularly
24 even small amounts and to loan such savings to their members for
25 productive or provident purposes. Within its objects and purposes
26 the Credit Union should particularly try to fill the needs of its
27 members for credit.

28 RECOMMENDATIONS

29 We are of the opinion that Credit Unions, being local
30 organizations operated under Co-Operative principles, should continue
31 to operate under provincial law and regulation, as differentiated
32 from Federal law and regulation. We recommend that no change be made
33 in the jurisdiction under which Credit Unions operate.



1 We recognize that Credit Unions are of comparatively
2 recent development, and that they are relative newcomers when
3 compared to the banks and some other financial institutions.
4 They were born out of need, and the failure of the then existing
5 institutions to satisfy the requirements of those who became Credit
6 Union members. We also recognize that since 1937, much progress
7 has been made by Credit Unions in servicing members, and that
8 methods have been improved consistently. Recognizing the great
9 advances made since 1937, we expect the future holds a like
10 progressive growth and improvement in Credit Union practice. We
11 hold ourselves open to suggestions for improving the methods of
12 our operation and our services, and our relations with other members
13 of the public and the business community generally.
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Toronto, Ontario

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TO THE
ROYAL COMMISSION ON BANKING AND FINANCE

A Brief Presented by:

CREDIT UNION LEAGUE OF MANITOBA LIMITED

and

CO-OPERATIVE CREDIT SOCIETY OF MANITOBA LIMITED

Winnipeg, Manitoba.

April 9th - 11th, 1962.

PURPOSE

1. Credit Union League of Manitoba Limited and the Co-Operative Credit Society of Manitoba Limited present this brief on the history, purpose, operation, and place of Credit Unions, the League, and the Society in Manitoba. Our purpose is to be of assistance to the Commission in gaining knowledge and understanding of ourselves and the Credit Unions of Manitoba. We hope our Brief will contribute to a more complete assessment of the many important matters within the Commission's terms of reference and to the better discharge of the Commission's most onerous and important public responsibilities.

WHAT A CREDIT
UNION IS

2. In Manitoba, a Credit Union is a Co-Operative Credit Society incorporated under Provincial law, its members being already united by some common bond, such as common employment, trade, labour union, nationality, religion, fraternal order, or place of residence.

WHAT THE
LEAGUE IS

3. The Credit Union League of Manitoba Limited is a corporation incorporated under Provincial law, its members being Credit Unions banded together for furtherance of their common interests and benefit.



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2
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4 WHAT THE
5 CO-OPERATIVE
6 CREDIT SOCIETY
7 IS

4. The Co-Operative Credit Society of Manitoba Limited is a corporation incorporated under Provincial law, which took over an earlier organization known as "The Credit Union Federation of Manitoba" and as well the "Manitoba Central Credit Union Society Ltd." The Co-Operative Credit Society of Manitoba Limited receives money on deposit from and loans money to its members (or from and to corporations, societies, and associations of which it is a member).

11 NUMBER OF
12 CREDIT UNIONS

5. As of January 1st, 1961, there were 236 active Credit Unions in Manitoba. Of these 166 were members of the Credit Union League of Manitoba Limited, and 203 were members of the Co-Operative Credit Society of Manitoba Limited.

15 NUMBER OF
16 LEAGUES AND
17 THEIR
18 MEMBERSHIP

6. Some 42 Credit Unions are members of a newly organized league called the Credit Union Federation of Manitoba Ltd., and some 38 Credit Unions (mostly with French speaking members) are not members of a league or federation but have their own central organization, the "Caisse Centrale de St. Boniface Credit Union Society Ltd." We speak only for ourselves, the Credit Union League of Manitoba Limited and the Co-Operative Credit Society of Manitoba Limited, and the group of 166 Credit Unions which are members of the League and the group of 203 which are members of the Society. We do not represent ourselves as speaking for the Credit Unions affiliated with the Credit Union Federation of Manitoba Ltd. or those affiliated with the Caisse Centrale de St. Boniface Ltd. We draw attention to the fact that many Credit Unions are members of both the Credit Union League of Manitoba Limited as well as the Co-Operative Credit Society of Manitoba Limited.



CREDIT UNION
OBJECTS AND
PURPOSES

7. As set out by Statute, the objects and purposes of Credit Unions are found in The Credit Unions Act, R.S.M. 1954, Chapter 54, Section 4. (See Appendix "A").

8. As commonly understood by Credit Union members, Credit Union members have these objects and purposes, which they strive to achieve by co-operative effort through their Credit Union:-

(a) To teach and encourage the habit of thrift by providing a safe, convenient, and attractive medium for the investment of their savings and provide them a fair return.

(b) To help each other in the matter of handling their own finances and to help and guide each other to live within their means.

(c) To eliminate usury, establish productive credit, and increase their purchasing power by enabling each other to borrow for productive or provident purposes at a reasonable rate of interest;

(d) To develop sound business methods and practices, and to train new members to assume responsibility in the society for its continued preservation, good operation, and management.

LEAGUE OBJECTS
AND PURPOSES

9. The objects and purposes of the Credit Union League of Manitoba Limited as provided by its Letters Patent are set out in Appendix "B". These reflect the wording of the Statute under which it is incorporated, being the Credit Unions Act, R.S.M. 1954, Chapter 54, Section 71A.

10. As commonly understood and accepted by league members the objects and purposes of the Credit Union League of Manitoba Limited are:-

(a) To promote the organization and development of Credit Unions in the Province of Manitoba and to encourage co-operation among Credit Unions.



- (b) To provide information regarding Credit Unions and their method of organization and operation and to foster by every lawful means the common good and welfare of credit unions.
- (c) To promote, sponsor and authorize the organization of Chapters of Credit Unions for the purpose of furthering the education programs of the League and of the Credit Union movement.
- (d) To improve the internal management of Credit Unions and co-ordinate their operating methods and practices.
- (e) To maintain a high standard of Credit Union organization, operation and supervision.
- (f) To represent its member Credit Unions before legislative and other authoritative bodies.
- (g) To be and act as the liaison between Manitoba Credit Unions and other provincial or national groups on any matter of interest to Credit Unions.
- (h) To establish and maintain such services and business activities as may from time to time be deemed necessary to the effective operation of Credit Unions and of the League.

CO-OP CREDIT
SOCIETY
OBJECTS AND
PURPOSES

11. As provided by its act of Incorporation, S.M. 1950, Chapter 105, the objects and purposes of the Co-Operative Credit Society of Manitoba Limited are contained in Appendix "C", being Section 5(1) of such appendix.

12. As commonly understood and accepted by its members, the objects and purposes of the Co-Operative Credit Society of Manitoba Limited are:-

To receive money on deposit from and loan money to its member Credit Unions and Co-Operatives.

CREDIT UNION
HISTORY

13. The Credit Union idea originated in Europe, came to Eastern Canada, from which it spread to the United States. In Western Canada, the first Credit Union was organized in 1911 at St. Jean Baptiste in Manitoba. It was never



1
2 incorporated, but operated successfully for over ten years
3 and had a membership of over one hundred. The founder was
4 Reverend Father St. Amant, who was eventually transferred
5 elsewhere and the Credit Union was wound up, resulting in a
6 worthwhile return to its members.

7 "Our mistake was not to have prepared someone
8 capable of taking over the operations of the
9 Society"

10 wrote Father St. Amant, in discussing the reasons for the
11 winding up of the Credit Union.

12 REASON FOR
13 GROWTH OF
14 CREDIT UNIONS

14. In 1937, provision was made by Provincial legis-
15 lation for the chartering of Credit Unions. The first
16 incorporated Credit Union in Manitoba was "La Caisse
17 Populaire de St. Malo Credit Union Society Limited". In
18 the first two years, there were some nineteen Credit Unions
19 established, with some 2,400 members, and \$50,000.00 of assets.
20 In the early stages there were probably varied reasons for
21 the growth of the numbers of Credit Unions. In some groups
22 of employees, there was the problem of unconscionable money
23 lenders, who were known as loan sharks, and who loaned small
24 amounts of money at interest rates of over 100% per annum.
25 In other instances, people who otherwise could not get loans
26 pooled their savings, and out of the small amounts collected
27 from the group loaned money to some of their members who could
28 not have been accommodated elsewhere.

29 HISTORY OF
30 ASSOCIATIONS
OF CREDIT
UNIONS

15. With the growth in numbers of Credit Unions, the
officers formed themselves into a joint committee to consider
Credit Unions forming a Credit Union League and to consider
the forming of a Central Credit Union. By 1943, the joint
committee had assembled the necessary information, had
drafted by-laws for a Credit Union League, and a meeting was
held in Winnipeg to establish such a League. About sixty
Credit Unions were then in existence. Originally, the
Association was called The Credit Union Federation of Manitoba,



and at the same time the Committee decided to set up a Central Credit Union, so there were two organizations, the Federation established to take care of the promotional and educational work of Credit Unions, and the Manitoba Central Credit Union Society Ltd., to take surplus funds of Credit Unions which had monies they did not need, and loan them to other Credit Unions who had applications for loans exceeding their resources.

INCORPORATION
OF CO-OP
CREDIT SOCIETY

16. In 1949, it was decided to amalgamate the two organizations in the expectation of greater efficiency, and in 1950, the Co-Operative Credit Society of Manitoba Ltd. was incorporated by Special Act of the Legislature, which took over the Credit Union Federation of Manitoba and the Manitoba Central Credit Union Society Ltd. (See Appendix "C").

REASON FOR
DIVISION OF
CO-OP CREDIT
SOCIETY AND
ESTABLISHMENT
OF LEAGUE

17. As Credit Unions are basically a co-operative enterprise, it was the feeling of many co-operative groups in the Province that Credit Unions should be associated more directly with the co-operative movement. With the passing of the years, the co-operative movement became a very important part of the amalgamation. Indeed, the Central organization became known as the Co-Operative Credit Society rather than the Credit Union Central. For a few years this worked well, but on the establishment of the Canadian Co-Operative Credit Society, changes had to be made. The Canadian Co-Operative Credit Society contemplated a membership composed of the various Co-Operative Credit Societies and Credit Unions across Canada. In order to function on a national basis, it came under certain Federal regulations, and the Co-Operative Credit Society of Manitoba Limited did not fit into the pattern established as a requirement for membership. The Co-Operative Credit Society of Manitoba Limited was supported by membership dues and as well owned assets of a type which did not come within those recognized by the Federal authorities. In order for the Co-Operative



Credit Society of Manitoba Limited to qualify as a member of the Canadian Co-Operative Credit Society it became necessary to divide its functions, and somewhat restrict its operations. The Credit Union League of Manitoba was organized, to take over from the Co-Operative Credit Society of Manitoba Limited certain of its work which was considered under the Federal regulations as being of a type which would not normally be expected of a Co-Operative Credit Society, and as well to take over those assets which were not recognized by the Federal authorities. The Co-Operative Credit Society of Manitoba Limited remained as the same legal entity with the same powers, but no longer collected dues from its members, and no longer acted as the educational branch of the Credit Union movement.

LEAGUE ORGANIZATION

18. In Manitoba Credit Unions are organized on a provincial basis in Credit Union organizations called Leagues or Federations, which themselves are chartered under provincial law. A group of Credit Unions of ten or more in number are entitled to apply for incorporation as a league or federation. The Credit Union League of Manitoba Limited is the largest of the two leagues presently chartered in Manitoba. The Credit Union League of Manitoba Limited is organized in geographical divisions, there being seven such divisions. Each division is entitled to elect one director plus additional directors depending upon the number of Credit Unions in that geographical division. (See discussion on Membership and Election of Directors in Paragraphs 34 to 36.)

CO-OP CREDIT SOCIETY ORGANIZATION

19. The Co-Operative Credit Society of Manitoba Limited is also organized in geographical divisions so as to represent fairly its co-operative and credit union members throughout the whole area of the province.



1
2
3 REGIONAL
4 OPERATION OF
5 LEAGUE

20. The regional operation of the Credit Union League of Manitoba Limited is chiefly along educational and promotional lines and for the purposes of electing officers to the league itself. The regional operation of the Co-Operative Credit Society of Manitoba Limited is chiefly for the purpose of electing directors so that a cross-section of its members throughout the province will have representation.

8 RELATIONSHIP
9 OF CREDIT
10 UNIONS AND
11 LEAGUE:
12 RELATIONSHIP
13 OF LEAGUE
14 AND CUNA
15 AND NACCU

21. All Credit Unions in Manitoba are not members of a league, but the great majority are members of either the Credit Union League of Manitoba Limited or the Credit Union Federation of Manitoba Ltd. The Credit Union League of Manitoba Limited is a member of the National Association of Canadian Credit Unions (referred to as NACCU) and is also a member of the Credit Union National Association (referred to as CUNA). While CUNA operates chiefly in the United States, it also serves Canadian leagues. CUNA's operations in Canada are divided into two geographical divisions, the four Western provinces being one and the rest of Canada the other. The National Association of Canadian Credit Unions (NACCU) is relatively new. CUNA on the other hand is well established and serves various Credit Union Leagues in a manner somewhat similar to that in which the League serves its Credit Union members. The League pays dues to CUNA. CUNA operates services for Credit Unions which are available to the League and its member Credit Unions.

23 QUALIFICATIONS
24 FOR MEMBERSHIP
25 IN CREDIT
26 UNIONS

22. Membership in a Credit Union is confined to the group mentioned in its charter, but within these groups there is no discrimination on the grounds of race, colour, or creed. The Credit Unions Act provides that, in order to become a member, you must be elected to membership, pay the entrance fee prescribed by the by-laws (usually 25¢) and subscribe for at least one share (to the value of \$5.00) and pay the initial instalment on it (usually at least the sum of \$1.00). Membership can also be gained by an organization



composed for the most part of the same general group as the Society membership. Subject to similar conditions, other Credit Unions may also be members. The Act provides that subject to the right to admit such organizations, membership shall be limited to groups of persons having a common bond of occupation or association or to groups within a small neighborhood, community, or district, (See Appendix "A").

CLASSIFICATION
OF CREDIT
UNIONS

23. As of January 1st, 1961, Credit Unions in Manitoba classified by the nature of the common bond in membership are as follows:-

Active Credit Unions

ASSOCIATIONAL (Clubs and Fraternal Orders, Nationality, and Religion)	57
OCCUPATIONAL (Common employment, trade, labour union)	82
COMMUNITY - Urban	8
- Rural	89
TOTAL ACTIVE:-	236

Inactive Credit Unions

OCCUPATIONAL	4
	<hr/> 240

(See Appendix "N", Page 2).

CANCELLED
CREDIT UNION
CHARTERS

24. Since 1937 there have been 61 chartered Credit Unions which have been wound up. For the most part, the reason was the lack of continued interest in the group starting them, resulting in their really never getting well underway. Others have been wound up where it was found that services were being duplicated by another Credit Union and a second Credit Union was not needed. Still others have amalgamated in the interests of gaining strength and efficiency. None of the shareholders nor depositors in these Credit Unions so cancelled or withdrawn have lost money, although a few are still in the liquidation process



and in one case some 10% of the shareholders money is still outstanding awaiting collection. It is expected that sufficient will be collected to repay all shareholders in full.

QUALIFICATION
FOR MEMBERSHIP
IN LEAGUE

25. 166 Credit Unions are members of the Credit Union League of Manitoba Limited. Membership is open to any Credit Union and any Central Credit Union organization incorporated under the laws of the Province of Manitoba. Each member has the right to vote by a voting delegate at all general or special meetings of the league.

QUALIFICATION
FOR MEMBERSHIP
IN CO-OP
CREDIT SOCIETY

26. The Members of Co-Operative Credit Society of Manitoba Limited consist of 203 Credit Unions and 15 Co-Operatives. Membership by corporations is confined to Credit Union Societies, Associations, Societies, or Corporations incorporated or registered under the Credit Unions Act, and Part VII of The Companies Act, or companies whose business is conducted in accordance with Credit Union or Co-Operative principles.

NATURE OF
CREDIT UNION
OPERATIONS

27. While there are differences in the operation of Credit Unions because of some being rural and others urban, some being based on an occupational connection, others on an associational connection, and still others on a geographical connection, yet fundamentally there is no difference in principle in the operation. Loan practices may differ in that Credit Unions based on employee groups may normally expect loans taken more frequently for consumer purchases and repayable at pay-day intervals, in contrast to rural groups who more frequently require loans for seed, poultry, and farm productive purposes, with repayment more irregularly when the market is ready for what has been produced. More of the rural loans are repaid in one payment whereas most of the urban loans are repaid in instalments.



NATURE OF
CO-OP CREDIT
SOCIETY
OPERATIONS

28. The Co-Operative Credit Society of Manitoba Limited receives deposits from its members which it loans to others of its membership. It is a place for Credit Unions and Co-Operatives to save their surplus funds, and from which to borrow when they are in need of money. In effect, it acts as a central organization through which funds may flow back and forth from those who have surplus monies to those who are in a borrowing position. The Co-Operative Credit Society of Manitoba Limited deals only with Credit Unions or Co-Operatives who are members or in which the Co-Operative Credit Society of Manitoba is a member.

CO-OP
CREDIT SOCIETY
ACT

29. The acts of incorporation of the Co-Operative Credit Society of Manitoba and its parallels in Ontario and Saskatchewan are of the same pattern (See Appendix "C" - Act of Incorporation of Co-Operative Credit Society of Manitoba. See Appendix "H" - General By-laws, Co-Operative Credit Society of Manitoba).

NATURE OF
LEAGUE
OPERATIONS

30. The Credit Union League of Manitoba Limited has the responsibility for the general direction of all phases of over-all organization insofar as its own Credit Union members are concerned, including matters of general policies, promotion, organization, education, and common representation of Credit Unions in matters of mutual interest. (See Appendix "R").

CREDIT UNION
MEMBERSHIP
RESPONSIBILITIES AND
PRIVILEGES

31. The responsibility and privileges of membership in a Credit Union are essentially the same throughout Manitoba. The members elect their own officers from amongst themselves on the basis of each member attending a meeting having one vote, regardless as to the number of shares held. Proxy voting is not permitted. The members have the right to deposit or purchase shares without limitation on amount unless restricted by the by-laws. They are eligible to borrow with the same rate of interest on personal loans to all members. Apart from being a member there are no special



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3 qualifications to be a director. The members are
4 encouraged to save regularly, to attend meetings and to
5 take an interest in the Credit Union, and particularly
6 to assume an office where the membership thinks such a
7 member is qualified. A member is encouraged to talk
8 over his financial needs with the Credit Committee or
9 the Manager. There is nothing to require the member to
10 borrow from a Credit Union if he can get the money elsewhere
11 on equal or better terms. In fact, Credit Unions sometimes
12 recommend to applicants for large loan amounts or long term
13 loans that they borrow money elsewhere, such as from banks
14 or mortgage companys, where the borrowers cost may be less
15 because of the size of the loan and the security available.
16 If it appears to be in the interests of the member to borrow
17 elsewhere, the Credit Union give him the best advice and
18 guidance of which it is capable. If it appears to be in
19 the interest of the member who may perhaps already be
20 heavily involved with finance companies, conditional sale
21 payments, and lien notes, that his accounts be consolidated,
22 the Credit Union may pay off the others who have financed
23 such member, and have the member make one payment to the
24 Credit Union rather than numerous scattered payments. The
25 guiding principle is the good of the member, and the member
26 has a free choice to do as he pleases.

22 CO-OP CREDIT
23 SOCIETY
24 MEMBERSHIP,
25 RESPONSIBILITY,
26 & PRIVILEGES

32. The Co-Operative Credit Society of Manitoba Limited
has a function in dealing with its member Credit Unions
and Co-Operatives which might be compared to the functions
of the local Credit Unions in dealing with their individual
members. Membership in the Co-Operative Credit Society of
Manitoba Limited is by Credit Union Societies or Co-Operatives
rather than by individuals. The Co-Operative Credit Society
of Manitoba Limited receives the surplus funds of Credit
Unions and Co-Operatives and makes loans from this fund to
its members having a demand for money. The responsibility



for its operation rests on a Board of Directors elected by members at a general membership meeting. The directors elect a Credit Committee who pass on applications for loans. Each member is permitted to send a delegate to the meetings of members, each delegate present being entitled to one vote, no proxies being permitted. (See Appendix "C", Sections 6 and 7.)

LEAGUE
MEMBERSHIP,
RESPONSIBILITIES,
& PRIVILEGES.

33. While the League is governed by its directors, yet the general by-laws provide that the ultimate power and authority of the league is vested in the annual meeting which may review any acts of the directors or any committee, or any officer, and may reverse decisions made by the Board or of such Committee or Officer. A member Credit Union is assessed annual dues, the amount being \$1.10 times the number of its members sixteen years of age and over. The rate is fixed at the annual meeting of the members of the League a year in advance. If a Credit Union fails to pay its dues two months after due, its membership in the League is suspended unless the Board of Directors otherwise directs.

LEAGUE
DIRECTORSHIPS
& COMMITTEES

34. The Credit Union League of Manitoba Limited is governed by a Board of Directors elected by its member Credit Unions and the operations of the Board for the purposes of efficiency are broken down into several committees. The Board of Directors appoint the Committees through which the league functions. The members of the Committees do not need to be directors, but the Board of Directors can and do make appointments from Credit Union membership generally, of persons whom it considers competent and willing to serve on committees. The names of the committees will indicate their function. There is the Policy and Legislation Committee; a Budget and Dues Committee; an Education, Organization and Public Relations Committee; a House Committee; and an Executive Committee which acts as well as a Liaison and Convention Committee.



NUMBER AND
REPRESENT-
ATION OF
LEAGUE
DIRECTORS

35. The number of the directors of the League may vary depending upon the number of Credit Unions to be represented. For the purpose of the operations of the League the Province is divided into seven geographical divisions. The Board consists of thirteen directors elected from these divisions, one director for each 15 Credit Unions or major fraction thereof in each division, with a minimum representation of at least one director from each division.

LEAGUE
DIRECTORS
QUALIFICATIONS

36. A Director of the League must be a shareholder in a Credit Union that is a member of the League.

CREDIT UNION
DIRECTORSHIPS

37. A Board of Directors is elected to manage the affairs of each Credit Union. Each member of the Credit Union who attends the meeting is entitled to one vote. (See Appendix "F" for composition, function and responsibility of Directors, and Management of Credit Unions.)

CO-OP CREDIT
SOCIETY
DIRECTORSHIPS

38. A board of Directors is elected to manage the affairs of the Co-Operative Credit Society of Manitoba Limited (See Appendix "C", Section 8 and following sections).

MANAGEMENT OF
LEAGUE AND
CO-OP CREDIT
SOCIETY.

39. The selection of Personnel, Managers and Senior Officers of Leagues and Co-Operative Credit Societies is done by the Board of Directors. Applications for senior positions are advertised and considered by the Board who meet with the different applicants. The Board chooses for the position the person who in the opinion of the majority of the Board is best qualified and most suitable. Employees of the League and the Co-Operative Credit Society of Manitoba are engaged by the management with the approval of the Board.

CONFERENCES OF
LEAGUE
MANAGERS

40. Managers of Credit Unions and Leagues are encouraged to meet together at least once a year, usually at convention and exchange information and views and discuss common problems and consider solutions which have been developed elsewhere.



1
2 TRAINING
3 LEAGUE
4 EMPLOYEES

41. Employees of the Credit Union League have an opportunity to take a short course of training at the CUNA Headquarters in Madison, Wisconsin, U. S.A.

5 ADEQUACY OF
6 GOVERNMENT
7 REGULATION
8 OF CREDIT
9 UNIONS

42. It is the opinion of the Credit Unions, Credit Union League of Manitoba Limited and Co-Operative Credit Society of Manitoba Limited that the present government regulations are adequate for existing Credit Union operations. In Manitoba at this time the Government agency conducts an independent audit of Credit Union books. Credit Unions have as well an internal system of supervision and control, particularly their Credit Granting Committee and their Supervisory Committee. (See Appendix "I" - Credit Granting Committee, and Appendix "J" - Supervisory Committee.)

10
11 CREDIT UNION
12 SAFEGUARDS
13 AGAINST
14 INCOMPETENT,
15 QUESTIONABLE
16 OR DISHONEST
17 PRACTICES

43. If the work of the internal supervision and control is too great for voluntary help to handle, an auditor may be employed to assist the Supervisory Committee. Safeguards have been established to protect Credit Unions from the effects of dishonest employees or incompetent and questionable practices. Bonding of all employees handling money is almost universal, and for the most part is on a basis of 100% of real assets. The Government auditors conduct regular inspections of the Credit Union affairs and bring to the notice of the Board of Directors any irregularities. As well, the Supervisory Committee investigates the affairs of the Credit Union at least four times a year, and the Credit Committee passes on new loans. The Credit Unions believe that they have taken all reasonable precautions against incompetent, questionable, or dishonest practices, but are constantly reviewing any further safeguards that may be suggested, or may appear warranted by experience. (See Appendix "W" re Bonding.)

28 USE OF CREDIT
29 UNION ASSETS

44. Credit Unions use their funds primarily for loans to members. They may own shares in the Co-Operative Credit Society of Manitoba Limited and shares in the Credit Union

Employees of the Credit Union League have an opportunity to take a short course of training at the CUNA headquarters in Madison, Wisconsin, U.S.A.

It is the opinion of the Credit Union League of Canada that the Credit Union League of Canada should be established as a separate entity, independent of the Government of Canada, and should be able to raise funds from the public and to operate on a non-profit basis. The Government of Canada should not be involved in the operation of the Credit Union League of Canada, and should not be responsible for the financial success or failure of the Credit Union League of Canada. The Credit Union League of Canada should be able to raise funds from the public and to operate on a non-profit basis. The Government of Canada should not be involved in the operation of the Credit Union League of Canada, and should not be responsible for the financial success or failure of the Credit Union League of Canada.

(Appendix "A" - Supplementary Committee)

It is the view of the Credit Union League of Canada that the Credit Union League of Canada should be established as a separate entity, independent of the Government of Canada, and should be able to raise funds from the public and to operate on a non-profit basis. The Government of Canada should not be involved in the operation of the Credit Union League of Canada, and should not be responsible for the financial success or failure of the Credit Union League of Canada. The Credit Union League of Canada should be able to raise funds from the public and to operate on a non-profit basis. The Government of Canada should not be involved in the operation of the Credit Union League of Canada, and should not be responsible for the financial success or failure of the Credit Union League of Canada.

The Credit Union League of Canada should be able to raise funds from the public and to operate on a non-profit basis. The Government of Canada should not be involved in the operation of the Credit Union League of Canada, and should not be responsible for the financial success or failure of the Credit Union League of Canada.



1
2 League. If they have funds on hand not needed by their
3 members, they may deposit them with the Co-Operative Credit
4 Society of Manitoba Limited, either on a demand or a term
5 basis, or deposit them with a bank. They may use funds to
6 invest in Trustee Securities under The Trustee Act. They
7 use some of their funds for office premises and furniture.

8 FACTORS
9 INFLUENCING
10 CHANGES IN
11 AMOUNT OF
12 CREDIT UNION
13 ASSETS

45. The increase in the savings of members is the
chief factor influencing the change in amount of Credit
Union assets. This in turn is dependent upon (a) the extent
of members participation in the affairs of the Credit Union
and their interest in its operation; (b) the education
programs; (c) rate of interest; (d) convenience; (e) insurance
coverage.

14 CO-OP CREDIT
15 SOCIETY ASSETS
16 AND THEIR USE

46. Appendix "K" sets out a summary of balance sheets
from 1952 to 1961. Attention is drawn to the comments
contained in the Appendix relating to changes in the assets
and their use.

17 CREDIT UNION
18 CASH & LIQUID
19 RESERVE
20 REQUIREMENTS
21 AND NEEDS

47. There is no cash or liquid reserve requirement for
Credit Unions under provincial law. Depending on the type of
membership, the actual reserve requirements of Credit Unions
vary. Experience has shown that a Credit Union composed of
industrial employees needs less reserve than a rural Credit
Union whose membership is based upon residence in that area.
The reason is probably that the industrial Credit Union member
has an income by way of pay cheque at regular intervals, whereas
the income of a rural Credit Union member may not come at
regular intervals. Accordingly, the industrial Credit Union
may safely operate on a lower cash or liquid reserve than
the rural one. The rural member frequently borrows to increase
his capital assets, such as for the purchase of machinery,
the purchase of which may require somewhat larger sums and
a number of the members purchasing at about the same time.
This requires the Credit Union to have substantial liquid
assets in order to properly service members at such peak
periods. The needs of industrial employees are spread more
evenly throughout the year.



CREDIT UNION
AVERAGE CASH
& LIQUID
RESERVES

48. The average cash and liquid reserve ratios of Credit Unions in Manitoba is 15%, but it varies greatly from Credit Union to Credit Union. In case of a Credit Union running low on cash and liquid reserves, whose members require loans which the Credit Committee would ordinarily approve, the Credit Union may borrow on a short term basis from the Co-Operative Credit Society of Manitoba, or its bank, and in this way accomodate its members. The amount which can be borrowed is limited to the amounts set out in the Act. (See Appendix "A" - Section 41 of the Act.)

FORM OF SUCH
RESERVES

49. Around 10% of Credit Union assets normally are cash on hand or on deposit with the Co-Operative Credit Society of Manitoba or its bank. The additional 5% is normally in securities which are easily salcable, making in all the sum of 15% of the total assets. (See Appendix "N", Page 9).

CO-OP CREDIT
SOCIETY CASH
AND LIQUID
RESERVES

50. The Co-Operative Credit Society of Manitoba Limited operates on the basis of keeping within the cash and liquid reserve ratios and requirements of Co-Operative Credit Societies as established in Federal legislation under the Co-Operative Credit Associations Act. (See Appendix "O", Page 3)

RELATIONSHIPS
WITH BANKS RE
LIQUID
RESERVES

51. Credit Unions and the Co-Operative Credit Society of Manitoba Limited are customers of banks. Banks are used by them

- (a) to keep cash reserves of Credit Unions and Co-Operative Credit Society of Manitoba Limited.
- (b) as a source of money when borrowing is warranted.

CREDIT UNION
USE OF BANKS

52. If we speak of a very limited service by Credit Unions to their members, they could operate without using banking facilities, but to do so would seriously restrict present day Credit Union operations. Banks are a business convenience which enable Credit Unions to give a broader service by use of their facilities. Credit Unions also keep



money on deposit with the Co-Operative Credit Society of Manitoba Limited, either on demand or on a term basis.

Credit Unions' liquid and cash assets may change depending on

(a) the savings of its members;

(b) the borrowings of its members.

CREDIT UNION
BORROWINGS FROM
CO-OP CREDIT
SOCIETY AND
BANKS

53. If members require money, and the Credit Union does not have the necessary funds on hand, and the Credit Committee would otherwise be satisfied to approve of the loans, the directors may borrow from the Co-Operative Credit Society of Manitoba Limited, or from its bank, and re-loan the money borrowed to its members. If the directors of the Credit Union do not wish to borrow, the Credit Union would normally encourage further savings from its members and restrict new loans until funds were available from the new savings and from repayment of existing loans.

USE & EFFECT
OF CHANGES IN
INTEREST RATE
RESPECTING
ASSETS

54. The increase or reduction in interest rates is not the most important factor and is not used by Credit Unions to any extent with the idea of either restricting borrowings or increasing savings, except (a) Credit Unions recognize that the interest paid must be commensurate with alternative investments, and (b) the Co-Operative Credit Society of Manitoba Limited has increased the rate paid on term deposits from its members in the hope of its bringing in additional funds. Experience of the Co-Operative Credit Society of Manitoba Limited has shown that the higher rate on term deposits paid to its members increases the amount of such deposits.

CO-OP CREDIT
SOCIETY
BORROWINGS
FROM BANKS

55. Usually, most of the money of the Co-Operative Credit Society of Manitoba Limited is out on loan to Credit Unions. An increased demand from Credit Unions for loans from the Co-Operative Credit Society of Manitoba Limited usually results in borrowings by the Co-Operative Credit Society of Manitoba Limited from the Canadian Co-Operative



Credit Society or its Bank. Increased deposits from members where not combined with increased loan applications from other members result in the Co-Operative Credit Society of Manitoba Limited reducing any loans it may have at that time.

RECOMMENDATION
RE CASH AND
LIQUID
RESERVE
REQUIREMENTS

56. Credit Unions and the Co-Operative Credit Society of Manitoba Limited do not suggest legislative changes which would affect their cash or liquid reserves. The present position seems to be reasonably satisfactory. The members are themselves responsible for the condition of their Credit Union and the Co-Operative Credit Society of Manitoba Limited. In this, Credit Unions and the Co-Operative Credit Society of Manitoba Limited differ from banks whose shareholders do not have as personal or direct control over bank operations as have our members over their societies.

INVESTMENTS
IN SECURITIES

57. Credit Unions and the Co-Operative Credit Society of Manitoba Limited are not a large factor in securities investments. Such securities as are held are for the most part those authorized under The Trustee Act and of these, there is a preference for short term securities.

CO-OP CREDIT
SOCIETY BOND
INVESTMENTS

58. The Co-Operative Credit Society of Manitoba Limited as of December 31st, 1961, held \$163,975 in bond investments, roughly 10% of its assets.

SEPARATE INVEST-
MENT POLICY AND
RESPONSIBILITY
OF CREDIT
UNIONS AND
CO-OP CREDIT
SOCIETY

59. The investment policy and responsibility of Credit Unions and the Co-Operative Credit Society of Manitoba Limited are entirely separate, subject always to the connection which exists in that the directors of the Co-Operative Credit Society of Manitoba Limited are representative of their member Credit Unions and Co-Operatives. The Credit Unions may invest their statutory reserves (that is the reserves required by law that be set up to cover the provisions for bad debts) in shares of the Co-Operative Credit Society of Manitoba Limited. These are considered by the Credit Unions to be liquid assets.

where not combined with the interest in the business of the
other members in the Co-operative Credit Society of
Manitoba limited to being any form of loan or other thing

26. The said union and the Co-operative Credit Society
of Manitoba limited do not suggest legislative changes which
would affect their cash or liquid assets. The general
position seems to be reasonably satisfactory. The members
are themselves responsible for the condition of their Union
and the Co-operative Credit Society of Manitoba limited.
In this, Credit Union and the Co-operative Credit Society
of Manitoba limited differ from banks which shareholders do
not have as personal or direct control over bank operations
as have our members over their societies.

27. Credit Union and the Co-operative Credit Society
of Manitoba limited are not a factor in the market
investment. Such securities as are held are for the most
part those authorized under the Finance Act and of those,
there is a preference for short term securities.

28. The Co-operative Credit Society of Manitoba
as of the 31st of December 1931, had a total
investment, roughly 10% of the assets.

29. The investment policy and responsibility of
Credit Union and the Co-operative Credit Society of Manitoba
limited are entirely separate, subject always to the committee
which exists in each the directors of the Co-operative Credit
Society of Manitoba limited are responsible for the
member Credit Union and Co-operative Credit Society of Manitoba
limited. It is the policy of the directors of the Co-operative
Credit Society of Manitoba limited to be set up to meet the needs of
the Union and the Co-operative Credit Society of Manitoba limited
and not to be set up to meet the needs of the Co-operative Credit
Society of Manitoba limited. There are no other provisions for
the Credit Union.



SIGNIFICANCE
OF CREDIT
UNION INVEST-
MENT POLICY
RE SECURITY
MARKET

60. There is no practice of Credit Unions with respect to pooling their investment activity apart from their connection with the Co-Operative Credit Society of Manitoba Limited, nor have Credit Unions by and large relationships with security dealers nor is there in Manitoba any particular accounting practices with respect to security portfolios which are significant for investment policy, security portfolios being a relatively small factor in Credit Union operations. (See Appendix "L" re Investments of Credit Unions).

CREDIT UNION
POLICY ON USE
OF MONEY.

61. It might be noted that the policy followed by many Credit Unions in Manitoba follows this pattern as to how they use their money.

(a) The savings of the Credit Union members shall primarily be invested in loans to members for their personal purposes and that such loans be kept on the typical Credit Union "revolving fund" basis.

(b) That funds not being used by the members should be invested in the Co-Operative Credit Society of Manitoba Limited where they can be used:

1. by member Credit Unions which are from time to time in need of additional funds to meet the demands from their individual members;

2. by member commercial co-operative enterprises on a short term basis only.

(c) Short term loans may be made by Credit Unions to organizations and business enterprises within their field of membership, but only after the personal loan needs of the members are provided for and only when such business loans are supported by tangible security such as that provided by inventories equipment and buildings.



CREDIT UNION
BY-LAWS ON
LOAN POLICY

62. The standard by-laws of Credit Unions set out loan policy as follows:-

37. The credit committee shall inquire carefully into the personal habits and financial condition of borrowers and their sureties to ascertain their ability to repay fully and promptly the obligations assumed by them, and whether the loan promises to be of benefit to the borrower.

38. (1) The credit committee shall determine the security or guarantors that shall be required for each loan and the terms upon which it shall be repaid.

(2) Where the Security compares favourably, preference shall be given in all cases to the smaller loan.

(See Appendix "S" re Loans.)

LOANS TO
DIRECTORS

63. Directors of Credit Unions can borrow from their Credit Union. If the loan exceeds the amount paid up by him on his shares, together with the sum he may have on deposit, then such loan must be approved of by both the Credit Committee and as well by the Board of Directors. Similarly, a loan to any officer of a Credit Union has to be approved of both by the Credit Committee and the Board of Directors. (See Appendix "A", Section 63, Sub-Section 6.)

PERSONAL
LOANS

64. Credit Unions prefer to loan to the small borrower and can only loan for provident or productive purposes. In deciding whether a loan should be made, the Credit Committee takes into consideration the character of the member applicant, his reliability and personal habits, his ability to repay, and the purpose of the loan. Because of the common bond of association, apart from Credit Union membership, the Credit Committee is in a good position to assess these factors and to determine whether a loan is warranted. The average size of Credit Union loans in Manitoba is between \$500.00 and \$1,000.00. They usually last for a term of twelve to thirty-six months, apart from real estate mortgages, which would



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MORTGAGE
LOANS

65. Credit Unions do not trade in mortgages. Sometimes Credit Union members require real estate loans and only to the extent that there is such a demand from members are Credit Unions interested in this form of investment. It should be noted that borrowing for Real Estate purposes is not as large a proportion of Credit Union loans as might appear from the statistics showing Real Estate Mortgages as a member may borrow for a provident or productive purpose and give as security a Real Estate mortgage on his home. Such would for statistical purposes be shown as a Real Estate Mortgage which indeed is the security, but the use of the money by the member might have nothing to do with his land or buildings.

POSSIBLE EFFECT
OF A SECONDARY
MORTGAGE
MARKET

66. Generally, Credit Unions wish to service the needs of their members without undue restriction as to the methods they deal with their assets and liabilities. If a secondary mortgage market was available Credit Unions would be interested in placing National Housing Act loans for their members. With limited funds at their disposal, and reasonably full use being made of these funds, Credit Unions could not place such National Housing Act loans safely unless they were able to realize upon them if cash was needed. National Housing Act loans are generally much larger in amounts than those which Credit Unions usually make as personal loans.

APPROVAL
OF LOAN

67. The Credit Committee passes on all loans but the amount approved must be within any limitation which directors policy may set as a maximum on any loan.

SECURITY
FOR LOANS

68. Credit Unions and the Co-Operative Credit Society of Manitoba Limited are entirely autonomous so far as their credit decisions are concerned. Credit Unions may take collateral security for loans. No advance exceeding \$500.00 is made unless the borrower furnishes security satisfactory to the Credit Committee. The Credit Committee accept different forms of security as satisfactory, depending upon the circumstances. The chief forms of security taken are:-



68.(Cont'd)

1. Shares and Deposits
2. Co-makers or co-signers.
3. Payroll deduction and wage assignemnts.
4. Chattel mortgages.
5. Real Estate mortgages.
6. Assignments or lodging of documents or securities.
7. Conditional Sale Agreements,

Also, Insurance policy and pension fund assignments.

(See Appendix "M").

SETTING
INTEREST
RATE

69. The Board of Directors sets the lending rates subject to the requirements in the Credit Unions Act which provides that the rate shall not exceed 1% per month on the unpaid balance. The rate determined by the directors is arrived at in view of past experience and future expectations after consideration of the cost of doing business and the need of making a reasonable return for the members on their savings. The rate is arrived at by application of the fundamental Credit Union principle that all surplus is returnable to borrowing members in the form of a rebate of interest, with the objects of giving credit at cost and pay a reasonable return to the saving members. Credit Unions normally do not alter the rates in order to encourage or discourage borrowing.

INTEREST RATE
VARIATIONS

70. The rates charged for personal loans by other financial institutions are not a significant factor in determining the rate charged by the Credit Union. The rates charged by others may vary up and down as their business may require or as circumstances may warrant. Where, however, the Credit Union has monies not required by its members for small personal loans, but which is required by its members for longer term loans on real estate, then the rate set would be comparable to the rates charged by other lenders of real estate loans. The purpose of the loan may alter the rate of interest. Churches and charitable organizations may secure loans at a lower rate than set for



personal loans. The rate of interest on different types of loans is set not in view of the security offered, but in view of the purpose of the loan. For example, a lower rate is customarily charged on loans to be used for the education of children of members than on other types of loans. All members are charged a like rate of interest on loans of the same type. The variation in lending rates between different Credit Unions is because of different overhead requirements and different services furnished. For example, the cost of life insurance on a borrower's life to insure the borrower's loan, the premium being payable by the Credit Union, would be included as one of the costs of doing business, and affect the rate of interest charged by that Credit Union (See Appendix "N", pages 15 and 16, being an analysis of the rates charged by different Credit Unions, and page 14, showing the percentage of rebate.)

LIABILITIES

71. The Credit Unions do not issue debentures or similar forms of certificates of indebtedness.

DEPOSITS

72. There are two forms of deposits, share deposits, being of a more permanent nature, and current deposits, which are usually repaid on demand but may be made subject to thirty days notice (See Appendix "A"). Because current deposits are usually repaid on demand, they receive a lower rate of interest. Such current deposits are considered to be temporary savings. The Board of Directors can require ninety days notice before withdrawal of a share, and thirty days notice before withdrawal of a deposit (or more if necessary). (See Appendix "A"). Those Credit Unions which have chequing privileges generally only permit such privileges to be used on deposit accounts. Chequing privileges are used by about 15% of the Credit Unions in Manitoba. We do not have information relating to the rate of withdrawal or turnover of deposits. Credit Unions having chequing privileges have a greater rate of turnover of deposits and require a larger liquid reserve.



CREDIT UNION
RATES OF
INTEREST

73. The rate of interest paid on Credit Union deposits varies up to 3½%. The rate is set by the Board of Directors and is lower than the dividend paid on shares. (See Appendix "N" - Page 14 - for Variations of Rates paid on Deposits.)

RELATIONSHIP
OF RATE OF
INTEREST AND
DEPOSIT
BUSINESS

74. Credit Unions feel that a moderate change in the rate of interest on deposits would not result in much change in deposit business. The rate of interest paid is not the critical factor in the amount of deposit business done. (See paragraph 54).

CO-OP CREDIT
SOCIETY RATES
OF INTEREST

75. The rate of interest paid by the Co-Operative Credit Society of Manitoba Limited on current deposits is 2%, on term deposits 3% to 4½% (depending on the term). The dividend paid by the Co-Operative Credit Society of Manitoba Limited on shares is 4½%. (Appendix "P" shows the variation in rates since 1952).

CREDIT UNION
SHARES

76. All shares in a credit union are of one class. Actually, a share is in effect a unit of savings. There is no share certificate, and the "shares" are of units of \$5.00 each. Such a unit of savings does not have to be paid in to the Credit Union by the member at one time, but may be accumulated in small sums.

CREDIT UNION
SHARE
WITHDRAWALS

77. A member may withdraw at any time but notice of withdrawal may be required. On withdrawal, a member is entitled to be paid

- (a) all monies paid on shares or deposits.
- (b) any dividends or interest accredited thereto to date of withdrawal, less
- (c) all amounts due from such member to the Society.

NOTICE TO
WITHDRAW

78. Ninety days notice of a member's intention to withdraw shares may be required by the Society, and thirty days notice of intention to withdraw deposits, as well as "such additional notice as, in any given emergency, the directors may deem necessary".

(See Credit Union Act, Section 43. Sub-Section 4, Appendix "A".



CREDIT UNION
RATE OF
WITHDRAWAL

79. The rate of withdrawal of shares varies from Credit Union to Credit Union. The rate of withdrawal to share purchases varies from 20% to 75%. The average increase in share purchases from year to year (after allowing for the withdrawals during the year) is about 20%. Share capital has been doubling about every four years. The rate of withdrawal is not as significant as might be thought in reflecting changes in Credit Union membership. The reason is that a member needing funds may (a) prefer to borrow and use his "shares" as security for the loan, or (b) prefer to withdraw his shares and reinvest in them when his need for the money ends. This latter would reflect in the Credit Union statements as withdrawals and purchases, the former as loans and repayments. (See Appendix "N", Pages 3, 7, 8 & 9.)

CREDIT UNION
SHARE RATE
OF RETURN

80. The rate of return on Credit Union shares is limited to 5% per annum by Statute. The actual return varies from Credit Union to Credit Union. 4% is a return commonly paid. The actual variation and rate of return paid is shown in Appendix "N", pages 14, 15 and 16.

EFFECT OF
CHANGE OF
INTEREST ON
SHARE
WITHDRAWALS

81. Changes in the rate of dividend paid on shares is not a significant factor on amount of shares held. Individual holdings of shares are small, and a change in rate is not as important to such a small saver as it would be to large holders of shares. Large holders would be more responsive to rate changes and rates paid elsewhere. Credit Unions recognize that they have to return a rate reasonably close to that paid by Government Savings Bonds. Credit Unions try to maintain a level dividend rate and so prefer to keep the same rate of, say, 4% rather than vary it from 3½% to 4½% from year to year.



REASON FOR
SHARES
REPRESENTING
MORE SAVINGS
THAN DEPOSITS

82. It is noted that while outside Quebec shares form a large part of Credit Union liabilities, yet in Quebec, the opposite is true. In Manitoba, the Credit Unions have stressed in their education program the view that shares should be considered as a type of savings more permanent than deposits, and as such, shares are encouraged. In Manitoba, shares withdrawn before the end of the year usually get no interest. In Manitoba only a relatively small percentage of Credit Unions have a chequing service. It has been the experience of those Credit Unions which do operate chequing services that a higher percentage of funds is placed by members in deposit accounts rather than share accounts so as to be in a position to use the chequing service. While there does not seem to be a rule or regulation requiring this, the Government department in charge of the audit of Credit Unions advises Credit Unions to permit members to withdraw by cheque only monies held on deposit, and not monies represented by share accounts. We are informed that in Quebec, chequing services are customary and usual.

DIFFERENCE
WHERE CREDIT
UNION SERVICES
A BUSINESS
COMMUNITY.

83. Credit Unions in Manitoba note that where they serve a business community the proportion of deposit accounts to share accounts increases, and frequently where a Credit Union does serve a business community that chequing privileges are made available to Credit Union members.

CREDIT UNION
SAFEGUARDS
AGAINST LOSS

84. Members who have saved monies with the Credit Union either by share purchase or both by share purchase and deposit are protected against loss by

(a) close scrutiny by the Credit Committee on the granting of loans (See Appendix "I").

(b) examination by the Supervisory Committee. (See Appendix "J").

(c) bonding of those dealing with the Credit Union's money (usually on a 100% basis) including burglary and hold-up insurance. (See Appendix "W").



(d) life insurance is frequently given to the borrower which pays off the Credit Union loan in the event of the borrower's death prior to repayment.

(e) the government audit, which draws to the attention of the officers and directors any irregularities discovered. (See Appendix "V").

(f) the Board of Directors follow up on delinquent loans. (See Appendix "T").

NO MEMBER
HAS LOST
MONEY

85. As a result of these safety precautions no member has suffered a loss, even where the Credit Union has been wound up. (See Paragraph 24 of Brief).

DEPOSIT
INSURANCE

86. The Credit Unions of Manitoba have never had deposit insurance. Based on past experience, there seems to be no need for it. However, Credit Unions would not want to be considered to be against deposit insurance if circumstances developed which would make it desirable and in the over-all interest of the members. If deposit insurance was considered to be desirable and was going to be required or made available, Credit Unions would not want changes made in their basic loaning principles. It might be that certain restrictions on loans might be considered wise to make deposit insurance more feasible. Such restrictions could deprive some Credit Union members of their rights to borrow, notwithstanding that Credit Unions know from experience that small loans to them are justified as they are credit worthy.

STABILIZATION
FUND

87. Members of the Credit Union League of Manitoba Limited have approved the principle of the establishment of a Stabilization Fund. Such a fund would be used to help Credit Unions in need of stabilization. Where a credit union was to be wound up the monies in such a fund would be used to pay off the members more quickly than would be the case if they had to wait for liquidation. A committee of the Credit Union League of Manitoba Limited is working on this now and is to report to the next annual meeting of the League.

COMPETITION FOR
FINANCIAL
BUSINESS

88. Credit Unions in Manitoba do not consider themselves to be in competition for financial business with other financial institutions. What we mean by this is that we do not gear our operations to what others are doing. If the banks or finance companies raise or lower rates of interest, Credit Unions do not necessarily make a corresponding change in their rates in order to be "competitive". Credit Unions do not loan out their funds to members simply to make a good return on funds deposited. If the borrowing needs of their members leaves money available, and unused, Credit Unions prefer to put such available money on deposit with the Co-Operative Credit Society of Manitoba Limited or their bank, or buy a short term security, the purpose being to have money available for members needs when the needs arise, and meanwhile to secure a reasonable return. Members are not encouraged to borrow if they do not have the need for funds and only loans for productive or provident purposes are made. It is quite possible that a credit-worthy member of a Credit Union might be accommodated for a loan at a bank or a finance company (who would be satisfied with the risk and did not care about the purpose of the loan) and yet be refused such loan by his own Credit Union (who might also be satisfied with the risk, but not able to make the loan because of its purposes.)

EXTENT OF
COMPETITION

89. In another sense, Credit Unions are competitive to banks and finance companies in that the Credit Union offers to its members an alternative source of loans and a place to save. The member has a choice of where he will borrow, whether at a bank, finance company, or his credit union. If he chooses to take his loan from the Credit Union, perhaps because the net cost of borrowing is less than that from a bank or finance company, then no doubt the bank or finance company consider it lost such business



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3 due to the competition of the Credit Union. So while
4 Credit Unions do not consider themselves to be in competition
5 with banks and finance companies to the extent of adjusting
6 their business principles and methods and interest rates to
7 meet those fixed by others, yet insofar as they offer their
8 members an alternative source of borrowings and a medium to
9 save, they are in that sense competitive with the others.

10 SAVINGS
11 FROM SMALL
12 DEPOSITS.

90. Credit Unions may at times get savings which would
otherwise be deposited in a bank, but not nearly to the
extent that might be thought in view of their increase of
assets. Much of the savings of the members is generated by
the educational processes of the Credit Union and by continual
emphasis on and encouragement of thrift and savings by its
members. Much of the savings results from regular deposits
of small amounts, so small that they would not normally be
deposited in a bank. Credit Unions encourage such savings
even in small amounts for both adults and children, and
frequently accounts are built up out of regular deposits of
as little as 25¢ each.

18 FINANCIAL
19 SERVICES TO
20 MEMBERS

91. The rates of interest are set by the directors and
no charges are loaded onto the rates so the rate fixed is
the maximum paid. Such rate so set may be reduced by a rebate.
Credit Unions offer a financial counselling service to
members. Most of them offer life insurance on the borrower
to the extent of the unpaid balance of the loan. The Credit
Union place of business is usually located at a place
convenient to the majority of members. The hours of
business in small Credit Unions are not normal business hours.
To keep an office open for a small Credit Union during the
time most of its members are working would be a waste of
time and money. Frequently Credit Union business is done at
lunch or in the coffee breaks and most often in the evenings.
The members have access to the manager at any time and in



emergencies, loans are made each of the twenty-four hours of the day.

CREDIT UNION
VIEWS ON
CANADIAN
FINANCIAL
SYSTEM

92. Credit Unions were developed because our financial system was not working well in certain ways. Credit Unions filled a need not well supplied by others, such as banks or finance companies. In some areas where Credit Unions operate, there is no bank and indeed it could not be expected that a bank could exist even if there was no Credit Union. Banks should make a profit, at least should not lose money. With the paid staffs necessary for their proper operations, a certain minimum business must be maintained. In some places this is not always possible. A Credit Union can survive and even thrive where a bank could not exist, due to the small overhead involved in the Credit Union operation. A great deal of unpaid work is contributed to Credit Unions by its officers and directors. Similarly, the loaning policies of the Credit Union dealing only with members who have a common bond of interest, apart from their membership, results in loans being made and collected which might never be the case with a bank or finance company. The relationship between Credit Unions and banks throughout Manitoba at the local level is pleasant and satisfactory. Banks have a field of operation in which Credit Unions do not serve. Similarly, Credit Unions have a field of operation in which they believe they better serve their members than either banks or finance companies. Operations of banks and Credit Unions can be distinguished.

CREDIT UNIONS
AND BANKS
COMPARED

93. Credit Unions are sometimes called a small man's bank, but Credit Unions and Banks differ:-

(a) in that Credit Union loans are normally small and are based on character and need. Banks normally loan much larger amounts.

(b) Credit Unions do not carry on a full banking business as such would normally be understood.



They service only their own members who have some common bond, such as common employment, trade, labour union, nationality, religion, fraternal order, or residence. Banks do not limit their services in such a way.

(c) Credit Unions continually urge their members to save even the smallest sums, believing that educational effort to this end is of great value to their members. Banks invite savings, but perhaps are not as conscious of the very small customer as are Credit Unions, nor perhaps are they fitted and able to provide similar services in view of their larger cost of operation.

(d) A Credit Union belongs to its members and is controlled and administered by them and operates solely for them, with much of the work being done voluntarily, and on an unpaid basis. Banks are sizeable business institutions, operated by paid staffs and owned and controlled by their shareholders, and making profits by serving their customers who are not necessarily, and indeed only occasionally, shareholders.

LOCAL
CIRCULATION
OF MONEY
LOANED

94. Money loaned by Credit Unions to their members usually circulates in the community in which they live. For example, the money borrowed by a Credit Union member may pay the local doctor, who in turn pays the local merchant, who in turn uses the money to pay his employees and to purchase goods. The money circulates within the community.

METHOD OF
PAYMENT OUT
OF LOANS

95. When a Credit Union makes a loan it may pay it out to the member

- (a) in cash which it may have on hand.
- (b) by way of a cheque drawn on its bank with which it has funds on deposit.
- (c) partly in cash and partly by cheque.



CHEQUING
PRIVILEGES

96. Some Credit Unions (about 15%) give their members privileges to withdraw monies on deposit by the use of orders for payment, sometimes called "Chequing Privileges". Such Credit Unions make their own arrangements for clearing cheques with their own banks and the clearing house.

FACTORS
INFLUENCING
CREDIT UNION
GROWTH

97. The factors influencing the rate of growth of Credit Unions are:-

- (a) the prosperity of the group out of which the Credit Union secures its members. If the group increases in number and employment is steady and generally is stable and progressive, the Credit Union membership will grow as well as the savings of the members.
- (b) the personal relationship within the group from which the Credit Union secures its members. The vigorous, respected leader of a Credit Union will be joined by others and the Credit Union will grow.
- (c) the appeal a Credit Union has to members or prospective members who might look forward to using the borrowing facilities and are appealed to because of the low cost of loans.
- (d) the convenience and informality of doing business with Credit Unions.
- (e) the promotional and educational work of the Credit Union and the Credit Union League of Manitoba Limited.

EFFECT OF
CREDIT
CONDITIONS

98. Changing credit conditions affect Credit Unions as members are affected. During times when banks are not loaning to the extent expected by borrowers, such borrowers may approach Credit Unions for loans. About one-third of our Credit Unions are more directly affected by business loans and by credit conditions which affect the business community, the other two-thirds not being so greatly affected. Credit Union assets increase some 20% to 25% per year whereas membership increases some 10% per year.

CREDIT UNION
EARNINGS

99. Ninety percent of Credit Union income is interest on loans. Ten percent of Credit Union income is from other sources including interest or dividends from investments. In the matter of interest, dividends, and rebates, Credit Unions try to maintain a fair sense of proportion. They do not wish to keep high rates of interest and dividends at the expense of the borrower. On the other hand, interest rates on loans should be high enough to maintain all credit union services required by the members plus a reasonable payment to the shareholder and depositor for the use of money.

CREDIT UNION
EXPENSES

100. Appendix "N", Page 6, gives a consolidated statement of all of the 236 active Manitoba Credit Unions for 1960, showing a total income of \$4,354,111.29 (of which \$1,126,210.78 was actually undivided earnings as of the beginning of the year) Entrance fees were \$4,750.63. Loan interest was \$2,984,678.80, and other income (e.g. investments) was \$238,471.68. Expenses for the year are set out on Page 6 of Appendix "N", and the other expenses are broken down in Appendix "Q".

CREDIT UNION
OTHER EXPENSES

101. We have also prepared for the information of the Commission other statistical information covering the past few years of Credit Union operations contained within Appendix "X", such information covering the following matters:-

Rates paid by Credit Unions 1955 - 1960 on Share Deposits and Rebates

Number of Borrowers and Loans Outstanding, 1955 - 1960

Rates collected by Credit Unions on Personal Loans, Mortgage Loans and Estate Loans, 1955 to 1960

Classification of Credit Unions by Total Assets, 1951 - 1960

Classification of Credit Unions by Members, 1951 to 1960.

Credit Union Consolidated Balance Sheet, 1945 - 1960.

Credit Union Statistics, 1945 - 1960.

Credit Union Loan Classification, 1955 - 1960.

Credit Union Consolidated Statement of Income and Expenses, 1945 to 1960.



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2 BAD DEBT
3 RESERVE

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13 STATUTORY
14 REQUIREMENT
15 FOR BAD DEBT
16 WRITE-OFF

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16 PERCENTAGE
17 OF LOSSES

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25 THE CAPITAL
26 MARKET,
27 RESULT OF
28 SHORTAGE OF
29 LOAN FUNDS ON
30 CREDIT UNIONS

102. Credit Unions are required to retain 20% of their net earnings and all entrance fees as a reserve for Bad Debts.

If the reserve reaches 10% of the total paid on shares and deposits, this statutory reserve provision may cease.

Credit Unions write down their physical assets using various percentages, depending upon the accounting practice of the particular Credit Union concerned. No fixed figure is required by the Government audit department but if the Credit Union does not write off its assets on a basis considered by the Government audit department to be reasonable, the Government department requires it to adopt some such percentage for audit purposes, customarily 10% to 15%, depending upon the type of asset.

103. Where monies loaned or a part thereof have not been repaid within two years after the date fixed for payment in full, they are required by Statute to be charged to the reserve for Bad Debts (See Section 63 (8). (Appendix "A")

104. Credit Unions constantly review their loans, and write off loans when they appear to be uncollectable. The actual percentage of loans having to be written off as uncollectable is remarkably low. In 1960, the percentage of loans written off compared to new loans granted was .12% (12/100ths of 1%). The percentage of loans written off compared to loans made since inception is .22% (22/100ths of 1%). (See Appendix "N", Page 9). The audit lists all delinquent loans overdue more than one month, so that these will be drawn to the attention of the Board of Directors for action at the next meeting.

105. Credit Unions do not make demands on the capital market as we understand the ordinary meaning of that term. They do not float securities or debentures to raise capital. They may sell investments they hold in order to raise cash for members loan needs. If the loan needs of the members of



a Credit Union exceed the funds available for loaning, the Credit Union can:-

- (a) decline to make further loans until the repayments from other borrowers warrant new loans being made.
- (b) strive to increase new savings of members.
- (c) borrow from the Co-Operative Credit Society of Manitoba, usually on a relatively short term basis.
- (d) borrow from its bank, usually on a short term basis.

RESULT OF
SHORTAGE OF
LOAN FUNDS
ON CO-OP
CREDIT SOCIETY

106. If the requirements of Credit Unions for loans from the Co-Operative Credit Society of Manitoba Limited exceed the available funds of the Co-Operative Credit Society of Manitoba Limited, the Society can:

- (a) decline to make further loans until repayment from other borrowers warrants new loans being made.
- (b) strive to increase the monies left with it on deposit or in shares by the Co-Operatives and Credit Unions who have available funds which they do not require.
- (c) borrow from the Canadian Co-Operative Credit Society and its own bankers money which it reloans to its members.

MONETARY
POLICY,
PARTICULAR
EFFECT ON
CREDIT UNIONS

107. Credit Unions do not regard monetary policy as affecting them to the same degree as it affects banks or perhaps other financial institutions, nor do they believe they affect monetary policy greatly. They are limited in their dealings to the needs of their own members, and loaning to members available funds. When monetary policy in the past has dictated a limitation of credit, Credit Unions were resorted to by members for some loans which might otherwise have been secured from the banks. With an increased demand for funds and with ordinary sources of bank borrowings being



1 limited, Credit Unions strove to increase members savings.

2 Members loan demands were met reasonably well from new

3 savings and from repayment of existing loans.

4 MONETARY POLICY, 108.
5 GENERAL EFFECT
6 ON CREDIT
7 UNIONS

We do not want to be understood as suggesting

that monetary policy has no effect on Credit Unions, as

indirectly they are affected because monetary policy

affects the members as members of the community generally.

Members of Credit Unions are likely to be less affected

than non-members because members have some expectation

that their reasonable needs will be met normally, regardless

of what banking policy might dictate or the finance companies

might do.

11 MONETARY
12 POLICY,
13 GENERAL EFFECT
14 ON CO-OP
15 CREDIT SOCIETY

109. The Co-Operative Credit Society of Manitoba

Limited is in a somewhat similar position in that as it

deals only with its members, and loans them available funds,

it is not competing in the ordinary sense with banks and

finance companies for the public's business. However, the

Co-Operative Credit Society of Manitoba Limited does

borrow from its bankers when the demand for money from its

members exceeds its available cash. At such periods, if

monetary policy restricted its banker's ability to loan to

it funds it would normally have expected to receive, then

it would in turn have to restrict new loans to its members

to its available resources. In this way monetary policy

would affect the operations of the Co-Operative Credit

Society of Manitoba Limited and through it the operations

of Credit Unions and other members who might wish to borrow

at such time.

24 MONETARY POLICY, 110.
25 EFFECT ON SOME
26 CREDIT UNIONS
27 THROUGH
28 BANKS.

While some of the larger Credit Unions dealing

with banks may be affected directly by changes in monetary

policy, yet the bulk of Credit Unions and particularly the

smaller ones, do not feel either that they are affected

greatly by monetary policy, nor in turn that their operations

greatly affect monetary policy.



REAL ESTATE
MORTGAGES

111. Respecting Mortgage transactions, see paragraphs
65 and 66.

PROPER FIELD
OF LOAN
ACTIVITY OF
CREDIT UNIONS
VARIES AS NEEDS
OF MEMBERS
VARY

112. The needs of the members of one Credit Union
may be entirely different to the needs of the members of
another. For example, the needs of new Canadians are quite
different to others. Generally, Credit Unions prefer to
make short term personal loans, rather than longer term
mortgage loans, but in one of our Credit Unions the members
do not seem to require short term personal loans, but do
need to get real estate mortgages. If such Credit Union
avoided the longer term real estate mortgage (as do many
Credit Unions) it would not be serving the best interests
of its members. Repayment of all loans made by Credit Unions
to their members is without notice or bonus, and repayment
terms are set by the Credit Union to suit the capabilities
of the member.

PROPER FIELD
FOR CREDIT
UNION
ACTIVITIES

113. Credit Unions consider their proper field of
activity to be to serve their members by encouraging them
to save regularly even small amounts and to loan such
savings to other members for productive or provident
purposes. Within its objects and purposes a Credit Union
should particularly try to fill the needs of its members
for credit.

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APPENDIX "B"

OBJECTS AND PURPOSES OF THE CREDIT UNION LEAGUE OF MANITOBA
LIMITED AS SET OUT BY ITS LETTERS PATENT (which reflects the
wording of the Statute under which it is incorporated, being
The Credit Unions Act, R.S.M. 1954, Chapter 54, Section 711).

- (a) To carry on, encourage and assist in educational, advisory and organizational work relating to credit unions;
- (b) To improve methods of management of Credit Unions and to assist them in their bookkeeping, accounting and other procedure.
- (c) To reduce operating costs of Credit Unions by arranging for group bonding of Credit Union employees, group insurance of the savings of the members in each Credit Union and group insurance of loans made by Credit Unions to their members and purchasing book-keeping and other supplies for sale to its members and other Credit Unions;
- (d) To accept as members Credit Unions and central Credit Union organizations approved for membership by the directors of the federation or league;
- (e) To encourage the organization into districts of Credit Unions that are members and to assist with the preparation of such by-laws as are necessary for the administration of such districts;
- (f) To borrow money to achieve the objects of the league;
- (g) To deposit in chartered banks in Canada or in the Post Office savings banks established under the Post Office Act (Canada), or with a central Credit Union organization and to any extent that does not exceed twenty-five percent (25%) of its capital, invest in the paid-up shares of investment and building societies and Credit Unions and of a central Credit Union organization.



Appendix "B"

- (h) To invest in any investments authorized by law as legal investments for trust funds in the Province.
- (i) To draw, make, accept, endorse, discount, execute and issue promissory notes, bills of exchange, bills of lading, warrants and other negotiable or transferable instruments;
- (j) To do all such other acts and things as are incidental or conducive to, or consequential upon the attainment of the objects hereinbefore in this sub-section set out.



APPENDIX "C"

CHAPTER 105

AN ACT TO INCORPORATE
CO-OPERATIVE CREDIT SOCIETY
OF MANITOBA LIMITED

PASSED THE LEGISLATIVE ASSEMBLY OF MANITOBA
ON THE 20th DAY OF APRIL A.D. 1950

ASSENTED TO BY HIS HONOUR THE
LIEUTENANT-GOVERNOR ON THE 22nd DAY OF APRIL
A.D. 1950

Prepared by Co-operative Credit Society of Manitoba Limited
Winnipeg, Manitoba
July 15, 1950



An Act to Incorporate Co-operative Credit Society
of Manitoba Limited.

(Assented to April 22nd, 1950)

WHEREAS the persons mentioned in section 1 by their
petition have prayed that an Act be passed to incorporate
Co-operative Credit Society of Manitoba Limited with the
objects and powers hereinafter set forth;

Preamble.

THEREFORE, HIS MAJESTY, by and with the advice and
consent of the Legislative Assembly of Manitoba, enacts as
follows:

1. Charles Byron Frazer, Assistant Manager; Norman
Hastie Little, Purchasing Agent; Diedrich George Reimer,
Manager; William Topolnycki, Manager; Harold Vincent West,
Telegrapher and Philip Penner Isaacs, Auditor, all of the City
of Winnipeg, in the Province of Manitoba, Francis Ernest
Benoit, of the Post Office of St. Malo, in Manitoba, Manager;
Roland Kitchen, of the City of Brandon, in Manitoba, Manager;
Victor E. Phillips, of the Town of Dauphin, in Manitoba,
Manager, and Ernest Harry Powell, of the Municipality of
West Kildonan, in Manitoba, Warehouseman, together with
such other persons as shall become members in the corporation
hereby created shall be and are hereby constituted and declared
to be a body corporate under the name: CO-OPERATIVE
CREDIT SOCIETY OF MANITOBA LIMITED (herein-
after called "the company").

Incorporation.

2. The capital of the company shall be the sum of five
hundred thousand dollars divided into one hundred thousand
shares having a par value of five dollars each.

Capital.

3. (1) The head office of the company shall be situate in
the City of Winnipeg, in the Province of Manitoba or at such
other place in the province as the company may determine.

Head Office.

(2) The board of directors may establish branch offices at
such other places as they may determine.

Branch
Offices.

4. (1) Membership in the company by corporations shall
be confined to credit union societies, associations, societies, or
corporations incorporated or registered under The Credit Unions
Act, 1946, Part VII of The Companies Act, or under any general

Member-
ship.



or special legislation of the Parliament of Canada or of the Legislature of any province of Canada or of the Parliament of the United Kingdom, or of the Congress of the United States or of the Legislature of any state thereof or of the legislative authority of any other foreign country, and whose business is conducted in accordance with credit union or co-operative principles.

Refusal of application. (2) The board of directors may refuse an application for membership from any credit union society, association, society or company.

Objects and powers respecting. 5. (1) The objects of the company shall be to, and the company may:

acquiring other businesses. (a) purchase or otherwise acquire the businesses and undertakings of The Credit Union Federation of Manitoba, (hereinafter called "the federation"), and Manitoba Central Credit Union Society Limited, (hereinafter called "the society"), including the goodwill and all or any of the assets, property, privileges, contracts, rights, choses in action, bills of exchange, promissory notes and lien notes connected with the said businesses and undertakings^t and assume all or any of the obligations and liabilities of the federation and the society connected with the said businesses and undertakings, and pay for the same in cash or in fully paid shares of the company, or partly in cash and partly in shares, and thereafter carry on the said businesses and undertakings in accordance with the objects, purposes and powers set forth in this Act;

receiving deposits. (b) receive money on deposit from its members or from any corporation, society, or association, of which the company is a member, upon such terms as to interest, security, time of payment and otherwise as may be agreed upon;

making loans. (c) loan money to its members or to any corporation, society, or association, of which the company is a member, for the purpose of any business or undertaking which the member or such corporation, society, or association, is authorized to carry on, on such terms as to interest, security, time of payment, or otherwise as may be agreed on;

borrowing. (d) borrow or raise or secure the payment of money in such manner as the company thinks fit;



(e) charge, hypothecate, mortgage, or pledge, its real or personal property including its unpaid calls, and secure any liability for the repayment of monies borrowed;

giving
security.

(f) issue bonds, debentures, debenture stock, mortgages, or other instruments, either to bearer or otherwise, and either conferring no charge or conferring a fixed charge or a floating charge, or both, upon all or any part of the assets and undertaking of the company including its uncalled capital, and so that any such debenture or debenture stock or any deed securing the same may contain a condition making the debentures or debenture stock irredeemable or redeemable only on the happening of any contingency however remote or on the expiration of a period however long;

issuing
bonds and
debentures.

(g) take securities of such nature, covering real or personal property of any kind whatsoever, as may be deemed expedient for the purpose of securing the repayment of any monies loaned by or owing to the company;

taking
security.

(h) sell, pledge, mortgage, or otherwise deal with, any real or personal property, including any mortgage or security held by the company from time to time, and make and execute all requisite conveyances, assignments, transfers, and assurances, in respect thereof;

dealing with
security.

(i) deposit monies in chartered banks in Canada, or post office savings banks, or with trust companies authorized to receive money on deposit, or with any corporation, society, or association, incorporated, organized, or registered, under any general or special act of the Parliament of Canada or of the Legislature of any province of Canada, or of the Parliament of the United Kingdom, or of the Congress of the United States, or of the Legislature of any state thereof, or of the legislative authority of any other foreign country, and having objects wholly or in part similar to those of the company;

making
deposits.

(j) invest in securities authorized by The Trustee Act, or to invest in debentures, debenture stock, mortgages, securities, or any negotiable or transferable instruments, either to bearer or otherwise, issued or made by any society, association, or company, incorporated under The Credit Unions Act, 1946, or Part VII of The Companies Act, or any society, association, or company, incorporated under any Act of the Parliament of Canada, or of the Legislature of any province of Canada, or of the Parlia-

making
investments.



- ment of the United Kingdom, or of the Congress of the United States, or of the Legislature of any state thereof, or of the legislative authority of any other foreign country, and having objects wholly or in part similar to those of the company;
- acquiring member-ship in other companies. (k) become a member or shareholder of, or contribute to the funds or capital of, any society, association, or company, incorporated under the provisions of any Act of the Parliament of Canada, or of the Legislature of any province of Canada, or of the Parliament of the United Kingdom, or of the Congress of the United States, or of the Legislature of any state thereof, or of the legislative authority of any other foreign country, and having objects wholly or in part similar to those of the company or carrying on any business capable of being conducted so as directly or indirectly to benefit the company, and subscribe for, purchase, hold, acquire, or dispose, of bonds debentures, or securities thereof;
- promoting credit unions. (l) promote the organization, development and welfare of credit unions in the Province of Manitoba, and encourage co-operation among credit unions;
- encouraging education. (m) carry on, encourage, and assist, educational research and advisory work relating to credit unions, co-operatives, and the objects of the company;
- bonding of employees. (n) procure or arrange for the bonding or insurance of employees of credit unions in order to safeguard credit union funds;
- providing services. (o) provide such services as may be of mutual advantage to the members and the company;
- levying assessments. (p) fix and levy assessments or dues payable by members, or such classes of members as it sees fit, for carrying out such of its objects, and subject to such terms and conditions, as may be set forth in the by-laws;
- allotting of additional shares. (q) provide that, in lieu of the payment in cash of patronage dividends or interest on share capital or both due to a member, the directors may allot to it such additional number of shares as they may determine, having regard to the value and kind and class of commodities purchased or services obtained by the member from the company;



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5	(r) pay out of the funds of the company all or any of	paying
6	the expenses of or incidental to the formation and organi-	preliminary
7	zation thereof, or which the company may consider to be	expenses.
8	preliminary;	
9	(s) acquire, hold, improve, alienate, and convey, real	acquiring
10	estate requisite for the carrying on of the business of the	property,
11	company;	and
12	(t) sell, improve, manage, develop, exchange, lease,	disposing
13	dispose of, turn to account, or otherwise deal with, all or	of
14	any part of its property and rights.	property.
15	(2) Upon an allotment being made to a member as provided	Effect of
16	in paragraph (q) of section (1), the member shall be deemed	making
17	to have made an application for the said shares and shall be	allotment.
18	under an obligation to pay therefor by the application of	
19	patronage dividends or interest or both due to it, but only to	
20	the extent of such dividends or interest or both.	
21	6. At the first annual general meeting of the company and	Powers of
22	at every general meeting thereafter, the powers of the members	members
23	shall be vested in delegates to be elected or appointed by the	vested in
24	members of the company in such manner as may be provided	delegates.
25	for in the by-laws; and the delegates so elected or appointed	
26	shall exercise fully and completely in every way the powers, or	
27	any of the powers, of the members of the company; and a	
28	meeting of the delegates of the company shall have the same	
29	effect in every way as a meeting of the members of the company.	
30	7. (1) At meetings of the company every delegate shall be	One vote
31	entitled to one vote only irrespective of the number of members	for each
32	or shares represented by him.	delegate.
33	(2) No delegate, and, except as herein provided, no member,	No proxy
34	shall vote by proxy at any meeting of the company.	voting.
35	8. The affairs of the company shall be managed by a board	Directors.
36	of not less than seven and not more than fifteen directors, as	
37	the company from time to time by by-law may determine.	
38	9. The persons named in section 1 shall be the first directors	Provisional
39	of the company, and they shall not be required to hold any	directors.
40	shares of the company; but, unless in the meantime they qualify	
41	as directors as required by section 10, they shall cease to hold	
42	office after the first meeting of members of the company.	
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Qualification
directors.

10. No person shall be elected or appointed a director of the company unless he is a member of, or shareholder in, a credit union society, association, society, or company, that is a member of the company or of a credit union society, association, society, or company, that is a member of, or shareholder in, a member of the company.

By-laws.

11. (1) The company may, at any general or special meeting called for the purpose, enact all necessary by-laws, not contrary to law or to the provisions of this Act, as may be deemed necessary or advisable; and the by-laws may be added to, amended, or repealed, and others substituted therefor, at any meeting of the company subject to the provisions thereof.

Requirements
for amend-
ment of
by-laws.

(2) Subject to subsection (3), any enactment, amendment, repeal, or substitution, shall be made by a majority of not less than two-thirds of the delegates that, being entitled so to do, vote thereon.

Idem.

(3) If written notice of the proposed enactment, amendment, repeal, or substitution, is forwarded to each member with the notice of the meeting at which such enactment, amendment, repeal, or substitution, is to be considered, then a majority of delegates present at such meeting who are entitled to and do vote, shall be sufficient.

Particular
by-laws
respecting,

(4) Without limiting the generality of subsection (1), the company may enact by-laws

delegates.

(a) to provide for the method of appointing or electing delegates by members, the procedure of counting ballots, and any other matter or thing relating to the conduct of elections of delegates, the qualifications of such delegates, and the determination of the number of such delegates for each member or group of members or districts or regions;

Districts.

(b) to provide for the division of the territory in which the company carries on business into regions and districts; to change the boundaries of the regions or districts; and to provide for meetings of delegates to be held by regions or districts for such purpose as the by-laws may provide;

Directors.

(c) to provide for the election of directors of the company from delegates or members either at general, regional, or district, meetings of delegates or partly by one method



and partly by another, and to provide for directors representing regions, districts, and groups of members, on the board of directors, and to provide for methods of making nominations and holding elections for directors, and the procedure in counting ballots and in every matter or thing relating to the conduct of elections of directors; and to provide for dismissal of directors at meetings of the company;

(d) to provide for the remuneration and payment of the expenses of delegates and directors in connection with the business of the company and the meetings of the company and directors; remuneration

(e) to provide for the term of office of directors and the filling of vacancies occurring on the board of directors; terms of office and filling of vacancies.

(f) to provide, notwithstanding the provisions of the Companies Act in that behalf, for the time and place for the holding of meetings of the company of which there shall be at least one in each year and of the board of directors, the calling of such meetings, the quorum at such meetings, and the procedure in all things at such meetings; meetings.

(g) to provide for the allotment of shares; the making of calls thereon; the payment thereof; the issue and registration of certificates of shares; the forfeiture of shares for non-payment; and the disposal of forfeited shares and the proceeds thereof; Shares.

(h) to provide for the appointment, functions, duties, and removal, of all officials, servants, and agents, of the company; officials and servants.

(i) to provide for the appointment of a credit committee with such duties, powers, and functions, and governed by such procedure, as the by-laws may prescribe; credit committee.

(j) to provide for the appointment by the board of directors of an executive committee and other committees, with such powers, functions, and duties, and governed by such procedure, as the by-laws may prescribe; executive committee and other committees.

(k) to provide for the payment of interest on paid up share capital at a rate not exceeding five per centum per annum; interest, and



conduct of
affairs
generally.

(1) to provide for the conduct in all other particulars
of the affairs of the company.

By-laws,
contracts
with
members.

12. Every by-law shall bind the company and the members
thereof to the same extent as if each member had subscribed
its name and fixed its corporate seal thereto, and as if there
was in the by-law a covenant on the part of each member, its
successors, and assigns, to conform thereto subject to the pro-
visions of this Act.

Transfer
of
shares.

13. No transfer, sale, or assignment, of or charge on, shares
shall be valid unless authorized by the board of directors
subject to such conditions as may be set forth in the by-laws'

Purchase
and re-
demption
of shares.

14. (1) The company may purchase or redeem any or all
of its shares at the value thereof as conclusively determined by
the board of directors, subject to such conditions as may be
set forth in the by-laws.

Powers on
winding up
of member
company.

(2) Where a member is about to be wound up or dissolved
or to have its charter surrendered, the company may, at its
option,

(a) redeem the shares of the member at the book or
par value, whichever is the lesser; or

(b) require the transfer of any such shares at the book
or par value, whichever is the lesser, to any person eligible
to hold the same.

Limitation
on re-
demption
or
purchase
of shares.

(3) Not more than ten per centum of the issued shares of
the company may be redeemed or purchased pursuant to this
section in any fiscal year, and no such redemption or purchase
shall be made when the company is insolvent, or so as to render
the company insolvent, or so as to reduce the number of
members to less than fifty.

Failure to
surrender
certificates.

(4) In exercising its right to redeem or purchase shares or
to require the transfer of shares to some other person eligible
to hold the same, if the holder fails to deliver up and surrender
the certificate or certificates evidencing the shares, the company
may cancel the shares and the certificate or certificates evidenc-
ing them and issue a new certificate or certificates to the person
entitled thereto.



15. (1) A member may be expelled by a two-thirds vote of the members of the board of directors and of the credit committee, present at a special joint meeting of the board and the committee called to consider the matter, but only after a hearing.

Expulsion
of members.

(2) Any member may withdraw from the company at any time but notice of withdrawal may be required.

Withdrawal
of member.

(3) All amounts paid in on shares or deposits of an expelled or withdrawing member, with any dividends or interest accrued thereto, to the date thereof, shall, as funds become available and subject to the provisions of subsection (3) of section 14, and after deducting all amounts due from the member to the company, be paid to him.

Payments
to expelled
or
withdrawing
member.

(4) The company may require notice of intention to withdraw deposits.

Notice of
intention to
withdraw.

(5) A member who withdraws or is expelled shall have no further rights in the company, but he shall not, by the withdrawal or expulsion, be released from any remaining liability to the company.

Termination
of rights.

16. (1) The net surplus arising from the business of the company in each fiscal year shall be distributed as follows:

Distribution
of surplus,

(a) An amount equal to at least twenty per centum of the net earnings shall be set aside as a reserve fund until the reserve fund is equal to at least fifty per centum of the paid up capital of the company, which fund shall be held as a reserve against uncollectible loans or losses and shall not be used for any other purpose except on a dissolution, winding up, or liquidation.

for reserve
fund,

(b) If the by-laws so provide, interest shall be paid on the paid up capital at a rate not exceeding five per centum per annum.

for interest,
and

(c) Such further portion of the net earnings in any year as the company may distribute in accordance with its by-laws shall be distributed as a borrower dividend among the members of the company in proportion to the interest earned by the company from the members during those years; but interest and borrower dividends due to a member may be placed to the credit of the member on share capital account until the unpaid balance of all shares held by the member is fully paid up.

for
dividends.



Other reserve funds.

(2) Notwithstanding paragraph (a) of subsection (1), the directors may establish such other reserve funds as they may deem necessary or advisable.

Liens on shares.

17. The company shall have a lien on the shares, interest thereon, dividends and deposits of the members thereof for debts due from them to it; and may apply any sum credited to a member in or toward payment of such debts.

No issue of bank notes.

18. Nothing in this Act shall be construed to authorize the company to issue any note payable to bearer or any promissory note intended to be circulated as money or as the note of a bank.

Security from officers and servants.

19. Every person appointed to any office touching the receipt, management, or expenditure, of money for the purposes of the company, shall, before entering upon the duties of his office and while holding office, give such security as is deemed sufficient by the directors; and the security may be varied in amount or renewed from time to time.

Limited liability.

20. A member shall not, as such, be held responsible for any act, default, or liability whatsoever of the company, or for any engagement, claim, payment, loss, injury, transaction, matter or thing whatsoever, relating to or connected with the company, beyond the unpaid amount of his stock.

Appointment of auditors.

21. (1) The company shall at each annual general meeting appoint an auditor to hold office until the next annual general meeting.

Idem.

(2) If an appointment of auditor is not made at an annual general meeting, the Director of Co-operative Services, may, on the application of a member of the company, appoint an auditor of the company for the current year and fix the remuneration to be paid to him by the company for his services.

Examination of company's affairs.

22. (1) The affairs of the company shall be examined at least semi-annually by or under the direction of the Director of Co-operative Services; and the company shall produce all books, documents and other papers required by the person conducting the examination.

Special meeting as result of examination.

(2) If on examination the Director of Co-operative Services is not satisfied with the conduct of the affairs of the company, he may call a special general meeting of the members and place before them the result of his examination.



23. The Securities Act shall not apply to the shares of the company.

Securities
Act does not
apply.

24. (1) The company shall be deemed to be a co-operative company operated on a co-operative basis as defined by Part VII of The Companies Act.

Company
deemed a
co-operative
company.

(2) Except where inconsistent with this Act, Part VII of The Companies Act, shall apply to the company.

Application
of Part VII
of Companies
Act.

(3) Except where inconsistent with this Act or Part VII of The Companies Act, the general provisions of The Companies Act shall apply to the company.

Application
of other parts
of Companies
Act.

25. This Act shall come into force on the day it receives the royal assent.

Commence-
ment of Act.



APPENDIX "D"

CREDIT UNION LEAGUE OF MANITOBA LIMITED

GENERAL BY-LAWS

ARTICLE I

NAME

1. The name of this association shall be the Credit Union League of Manitoba Limited (Hereinafter called "the League")

ARTICLE II

OBJECTS

1. (1) The purposes of the League shall be:

- (a) To carry on, encourage and assist educational advisory and organizational work relating to credit unions.
- (b) To improve methods of management of credit unions and assist them in their bookkeeping, accounting and other procedures.
- (c) To reduce operating costs of credit unions by arranging for group bonding of credit union employees, group insurance of the savings of the members in each member credit union and group insurance of loans made by credit unions to their members and to purchase bookkeeping and other supplies for sale to its members and other credit unions.
- (d) To accept as members credit unions and central credit union organizations approved for membership by the directors of the League.
- (e) To encourage the organization into districts of Credit Unions that are members and assist with the preparation of such by-laws as are necessary for the administration of such districts.
- (f) To borrow money to achieve the objects of the League.
- (g) To deposit in chartered banks in Canada or in the post office savings banks established under the Post Office Act (Canada) or with a central credit union organization,



and, to any extent that does not exceed twenty-five per centum of its capital to invest in the paid up shares of investment and building societies and credit union and of a central credit union organization.

(h) To invest in any investment authorized by law as legal investment for trust funds in the province.

(i) To draw, make, accept, endorse, discount, execute, and issue promissory notes, bills of exchange, bills of lading, warrants, and other negotiable or transferrable instruments,

(j) To do all such other acts and things as are incidental or conducive to, or consequential upon the attainment of the above objects of the league.

(2) To become a member of a provincial, national or international organization of credit unions or of a credit union organized and operating under the laws of the province of Manitoba.

(3) To become a member of the Co-operative Credit Society of Manitoba Limited.

ARTICLE III -

MEMBERSHIP

1. The membership in the League shall consist of Credit Unions and central credit union organizations approved for membership by the board of directors of the League.
2. Each member shall have the right to send one voting delegate and one alternate delegate to represent it at all general or special meetings of the League.
3. The Secretary of the League shall be notified 15 days prior to any general or special meeting by the members in writing of the names and addresses of the delegate and alternate representing them.

ARTICLE IV -

SHARE CAPITAL

1. Each member shall hold a minimum of one \$5.00 share.
2. The Board of Directors of the League may from time to time fix the maximum number of shares that may be held by any one member.



REDEMPTION

Shares of members may be redeemed at any time by the Board of Directors upon application or at the discretion of the board by payment for shares and interest for the period of use.

INTEREST

Interest on shares shall be recommended by the directors and approved by the annual meeting. But in no event shall the interest exceed 4% per annum.

ARTICLE V -

BORROWING POWERS

The board of directors of the League may from time to time on behalf of the league borrow monies first from the Co-operative Credit Society of Manitoba Limited, if available, and secondly from other sources, for the purpose of carrying out the objects of the League; and for the purpose of securing repayment of the same may mortgage or pledge the whole or any part of the real or personal assets of the League.

ARTICLE VI -

DUES AND INCOME

1. (1) A new credit union admitted to membership in the League shall pay no annual dues until after the credit union has had one full year of operations.
 - (1a) For the purpose of these by-laws the words "new credit union" shall mean a credit union incorporated by letters of incorporation under the Credit Unions Act.
- (2) A credit union which is a member of the League shall pay annual dues based on the number of its members as at the close of the last preceding fiscal year of the credit union, at a rate to be fixed by the League at each annual meeting.
- (3) Annual dues shall become due and be payable at March 1st of each year. If not paid at due date an interest rate of 5% per annum will be assessed until paid.
2. (1) Where a credit union fails to pay its dues within two months after due date, unless the failure is excused for good cause by the board of directors of the League, the membership of the credit union in the League shall thereupon be suspended.



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4 (2) A credit union which has been suspended under this section
5 may be re-instated into membership provided, however, that
the dues payable for the year preceding the next annual
meeting of the League are paid in full.

6 3. All net surplus derived from the sale of credit union bookkeeping forms,
7 promotion pamphlets or other commercial activities conducted by the
League for its members shall belong to, and be retained or used by,
the League for its support.

8 4. All gifts of money to the League shall be added to the funds of the
9 League and, if in excess of the operating costs of the League, may be
used for any purposes designed to promote credit union development
recommended by the board.

10
11 ARTICLE VII -

MEETINGS

12 1. (1) The fiscal year of the League shall be from the first day of
November in each year to the 31st day of October in the next
ensuing year.

13 (2) The annual meeting of the League shall be held concurrently with
14 that of the Co-operative Credit Society of Manitoba Limited as to
dates and at the same place.

15 (3) The organization meeting of the League shall be deemed to be,
and shall be called, the first annual general meeting; the next
16 annual general meeting thereafter being called the second annual
general meeting, and so on thereafter.

17 2. (1) The place at which the annual general meetings are to be held shall
be determined by the members at an annual general meeting in
18 co-operation with the Co-operative Credit Society of Manitoba
Limited; provided that the members may at an annual general
19 meeting grant to the board authority to fix the time and place of
the annual general meeting next following.

20 (2) Not less than sixty days prior to the annual general meeting, the
secretary shall notify each member in writing of the date, time
21 and place of the meeting.

22 (3) At all meetings each member shall be entitled to one vote which
shall be cast by a delegate or alternate delegate duly authorized
23 to represent each member of the society.
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3. (1) A special general meeting of the League may be called at any time and place on an affirmative vote for that purpose of at least two-thirds of the members of the board.
- (2) It shall be also necessary for the directors to call a special general meeting whenever requested in writing so to do by not less than twenty-five members and if the directors do not, within twenty days from the date the request is made, proceed to call a special general meeting of the Society, then thirty-five members may themselves call a special general meeting which shall be held in the city in which the head office of the Society is located.
- (3) The secretary shall give to each member not less than 30 days notice in writing of each special meeting; and the notice shall contain a statement of the purposes for which the meeting is called.
- (4) No business shall be taken up or transacted at a special meeting except that stated in the notice calling the meeting.
4. At any regular or special meeting, delegates representing twenty-five percent of the members shall constitute a quorum.
5. An annual meeting may carry on and transact any business for the common good of the membership, and unless otherwise determined by the meeting, the following shall be the order of business at annual meetings:
 - (a) Registration and determination of a quorum
 - (b) Reading of the Minutes of the last meeting
 - (c) Report of the credentials committee
 - (d) President's Report
 - (e) Directors' Report
 - (f) Manager's Report
 - (g) Report of standing and special committees
 - (h) Old business
 - (i) New business (including elections)
6. The ultimate power and authority of the League is vested in the annual meeting and the annual meeting may review any and all acts of the board or of any sub-committee thereof, or of any special committee or executive officer; and may reverse the decisions of the board or of any such sub-committee, special committee or officer.



ARTICLE VIII -

REGIONS & DISTRICTS

1. The area of operations of the League in the Province of Manitoba shall be divided into six geographical districts as described in Schedule A to these by-laws and to be known as follows:

District No. 1
District No. 2
District No. 3
District No. 4
District No. 5
District No. 6

ARTICLE IX -

ORGANIZATION OF CHAPTERS

1. The League shall authorize the organization of chapters of credit unions, The by-laws governing such chapters shall first be approved by the directors of the League. The purpose of these chapters shall be to further the Educational Program of the Credit Union Movement within their districts.

ARTICLE X -

DIRECTORS

1. The board of directors of the League shall be elected by districts on the following basis: one Director for each fifteen credit unions or major fraction thereof accepted into membership as at December 31st in each year, provided that each district shall be represented by at least one Director.
2. Qualifications of Directors:
 - (1) A Director must be a shareholder in a credit union that is a member of the League.
 - (2) A Director must be a resident of the Province of Manitoba.
 - (3) A retiring Director shall be eligible for re-election.
3. At the first general meeting of the League the board of directors of the League to hold office until the next annual general meeting of the League shall be the ten directors elected by the credit union districts to the board of directors of the Co-operative Credit Society of Manitoba Limited.



4. Term of office:

- (1) At the second annual meeting, Directors elected shall hold office for a period of three years or until election of their duly qualified successors, provided that at the second annual meeting of the membership it shall be determined which of the Directors shall hold office for one, two or three year terms respectively, and the determination shall be entered in the Minutes of the meeting.
- (2) At every annual general meeting thereafter, the Directors shall be elected for a three year term, to fill the places of the retiring directors, who shall be eligible for re-election.

5. Procedure in Election of Directors.

- (a) Directors shall be elected by district meetings of delegates held at the same time and place as the annual general meeting of the League; or directors may be elected by district meetings of delegates held not more than 60 days prior to the annual meeting of the Society. Notice of such district meetings of the delegates for the purpose of electing directors shall be given at least 30 days prior to the date of such district meetings.
- (b) District meetings held before the annual general meeting of the League shall be called by the board if requested by three or more credit unions in a district.
- (c) Delegates attending a district meeting pursuant to such notice shall elect a chairman and secretary. The chairman shall conduct the meeting according to the procedure provided in the by-laws for the conduct of a general meeting of the League insofar as the same is applicable. At any district meeting called for the purpose of electing a director, those delegates present from such district shall constitute a quorum.
- (d) In district meetings of the League, directors, after nomination, shall be elected by secret ballot, with each delegate casting votes equal to the number of vacancies and subject to receiving a majority of the votes cast, candidates to the number to be elected receiving the highest number of votes shall be declared elected. In case it becomes necessary to take a second or further ballot, the candidate receiving the lowest number of votes on the preceding ballot shall be eliminated.
- (e) If the number of candidates nominated does not exceed the required number of directors to be elected, all the candidates so nominated shall be declared elected.



6. Vacancies:

If the office of director becomes vacant, the directors shall fill the same for the balance of the year in which the vacancy takes place. At the next general meeting of the League the vacancy shall be filled by the delegates and any person elected to fill such vacancy shall hold office until the expiration of the term of office of the original director.

7. A director who moves his residence outside of the boundaries of the district he represents shall resign from the Board of Directors at the first board meeting following such a change of residence and if such resignation is not received the board of directors shall declare the position of Director for the district to be vacant.

8. Vacation of office:

The office of director shall be vacated by any director if:

- (a) He resigns;
- (b) He ceases to qualify as a director;
- (c) He becomes bankrupt or suspends payment or compounds with his creditors or makes an authorized assignment or is declared insolvent;
- (d) He becomes financially interested in any business conflicting with the interests of the League;
- (e) He is directly or indirectly interested in any contract with the League or participates in the profits of any contract with the League unless he first discloses his interest to the board in open meeting and refrains from voting in respect of any such contract;
- (f) He becomes an employee of the League;
- (g) By resolution passed by a three-quarter vote of those present at a general meeting called for that purpose he is removed from office.

9. Meetings:

Regular meetings of the Board of Directors shall be held at least once every three months and may be called by the President or not less than 20% of the directors.



10. Notice of Meetings:

Notice of any meeting of directors shall be given in writing or by telegram not less than five days before such meeting provided that no notice shall be necessary in the case of a meeting of directors held immediately upon the adjournment of the annual general meeting of the League and provided further that meetings of directors may be held without formal notice, if all the directors are present or if those absent have signified their consent to such meeting or their consent to the business transacted thereat.

11. Quorum:

A majority of directors shall constitute a quorum at any meeting of the board of directors.

ARTICLE XI -

OFFICERS

1. (1) The officers of the League shall be a president, a first vice-president, a second vice-president and a secretary.
 - (2) The manager may be the treasurer of the League.
 - (3) The secretary of the League shall also be secretary of the board, and of all annual meetings and special meetings of the members of the League and shall sign all deeds and other formal documents; he shall give due notice of all meetings of shareholders and directors and shall perform such other duties as are incident to his office or as may be required of him from time to time by the directors.
 - (4) The directors shall elect the officers at the first meeting of the board following the annual meeting; and the officers shall serve until the conclusion of the annual meeting next following their election.
 - (5) Officers other than the manager, shall be elected from among the members of the board.
 - (6) The manager shall be appointed by the members of the board.
 - (7) Vacancies occurring among the officers shall be filled by the directors for the unexpired term of the officers whose death, resignation or removal created the vacancy.
2. The board may, upon a two-third majority vote, remove or recall any officer.



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- 2
- 3
- 4 3. (1) The President shall preside at all meetings both
5 of the Board and of the members and perform all other duties
6 incident to his office or assigned to him by the Board. He shall
7 be exofficio a member of all standing committees and with
8 the secretary sign all deeds and other formal documents
9 under the seal of the League.
- 10 (2) The Board of Directors shall appoint from its members
11 and/or the general staff of the League one or more designated
12 persons who shall countersign all cheques, drafts, promissory
13 notes and bills of exchange and other negotiable or transferable
14 instruments issued or executed by the League.
- 15 4. The first vice president shall perform the duties of the president in the
16 absence or disability of that officer, and in his absence the second vice-
17 president shall discharge the duties of the president.
- 18 (1) The manager shall:
19 (a) have charge of the League office, including the bookkeeping
20 forms and supply business;
21 (b) sign all cheques, notes, drafts and other obligations of
22 the League;
23 (c) as treasurer, keep all funds of the League in the Co-operative
24 Credit Society of Manitoba Limited unless otherwise authorized
25 by the board, and keep all books of account; handle the
26 funds and accounting of the League and perform all
27 duties incidental to the office of treasurer; and
28 (d) be bonded, in such amount as the board may from time to
29 time determine, in such recognized surety company doing
30 business in the province as the board may approve.
- (2) The manager shall be compensated, in such amount as the board
may from time to time determine within the limits set from time
to time by them.

ARTICLE XII -

EXECUTIVE COMMITTEE

- 21 1. (a) The executive committee shall consist of the officers of the League.
- 22 (b) The executive committee shall, in the interval between the meetings
23 of the directors, exercise all the powers of the directors in accord-
24 ance with the general policy of the Society and the directions of the
25 directors.
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(c) Meetings of the executive committee shall be held at the call of the President or a majority of the committee. Meetings may be called on four days' notice by letter, telegram or telephone. A majority of the members of the executive committee shall constitute a quorum.

(d) The executive committee shall keep a record of all meetings and actions thereof and such records shall be open at all times to the inspection of any director and shall be submitted for approval to the next succeeding board meeting.

ARTICLE XIII - OTHER STANDING COMMITTEES

1. At the first meeting of the board after the annual meeting, the directors shall elect from among the members of the board, or from the members of the credit unions which are members of the League, all standing committees; each to consist of such number of members as the board or the annual meeting may from time to time determine.

2. A majority of the members of a standing committee shall be necessary to constitute a quorum.

ARTICLE XIV - AUDITOR

1. The annual membership meeting shall select an auditor each year.

ARTICLE XV - EXPULSION OF MEMBERS

1. A member may be expelled from membership in the League by a two-third vote of the delegates present at an annual or special meeting called for the purpose of considering the matter; but only after hearing has been given to such representations as the member desires to make to the meeting, either in writing or orally through its delegates.

ARTICLE XVI - AMENDMENTS TO BY-LAWS

1. The League may at any general or special meeting called for the purpose enact all necessary by-laws not contrary to law or to the provisions of the Credit Unions' Act as may be deemed necessary or advisable, and such by-laws may be added to, amended, or repealed and others substituted therefor at any meeting of the League subject to the provisions thereof provided that any enactment, amendment, repeal, or substitution shall be made by a majority of not less than two-thirds



of the delegates present and entitled to vote thereon; provided further that if written notice of the proposed enactment, amendment, repeal or substitution is forwarded to each member with the notice of the meeting at which such enactment, amendment, repeal or substitution is to be considered, then a majority of delegates present at such meeting who are entitled to and do vote shall be sufficient.

ARTICLE XVII -

GENERAL

1. Notice may be given by the League to any member, delegate or director, either personally or by sending it by post to him to his last known address or to his registered address or any supplied by him to the League for the giving of notices to him.
2. Where a notice is sent by post, service of the notice shall be deemed to be effective by properly addressing, prepaying and posting the letter containing the notice and shall be deemed to be effected at the time at which the letter was deposited in the post office.



APPENDIX "E"

COMMITTEE STRUCTURE OF THE LEAGUE

General Remarks

The By-laws of the Credit Union League of Manitoba under Article XIII provide that "at the first meeting of the Board after the annual meeting the Directors shall elect from among the members of the Board, or from the members of the Credit Unions which are members of the League, all standing committees, each to consist of such number of members as the Board or the annual meeting may from time to time determine".

The League's standing committees are set up on the basis hereinafter defined as to their names, purposes and composition.

1. Liaison Committee

To be composed of the members of the Executive Committee.

Purpose

(a) To meet when necessary and at least twice a year with the similar committee of the Co-Operative Credit Society of Manitoba Limited to discuss matters of mutual interest and to continuously explore ways and means of safeguarding and promoting the best possible relations between the two organizations, in order that the greatest possible harmony may always exist in the component parts of the Credit Union movement in Manitoba; and to make recommendations to the Board to accomplish these objective.

(b) To also act as liaison between the League and other provincial organizations and the provincial government.

2. Policy and Legislative Committee

To be composed of three members from the Board and two members from outside the Board.

Purposes

(a) To study and develop legislation and legislative



Appendix "E"

programs needed by the Credit Union movement in this province so that the Credit Unions' Act and related regulations shall always be to the best advantage to the Credit Unions and to make recommendation to the Board to achieve this objective.

(b) To study and prepare amendments to the by-laws of the Credit Union League that are to be presented to general meetings.

(c) To deal with all matters which concern the basic principles and policies of the Credit Union movement and of the League and make recommendation to the Board concerning them and/or the policies affected.

3. Education and Organization Committee

To be composed of two members from the Board and three members from outside the Board.

Purposes

(a) To study, approve or recommend for approval to the Board of Directors policies and programs designed to improve and advance the educational activities of the Credit Union movement.

(b) To study, approve or recommend for approval to the Board of Directors policies and programs designed to improve and advance the organizational activities of the Credit Union movement.

4. Publicity and Public Relations Committee

To be composed of three members from the Board and two members from outside the Board.

Purposes

To study, approve or recommend for approval to the Board of Directors policies and programs designed to improve and advance the publicity, advertising and public relations activities of the Credit Union movement in Manitoba including the "Manitoba Credit Union News".



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5. Budget and Dues Committee

To be composed of three members from the Board and two members from outside the Board.

Purposes

(a) To study and develop a dues schedule that will provide the necessary funds to finance the Credit Union League.

(b) To regularly review the accounts of the Credit Union League and their related supporting documents.

(c) To prepare a budget and study and recommend to the Board any changes necessary during the course of the fiscal year.

6. Staff Committee

To be composed of the President and the 1st Vice President of the League plus the chairman of the Budget and Dues Committee.

Purposes

(a) To study and recommend for approval to the Board of Directors any changes in the staff requirements of the League.

(b) To study, approve or recommend for approval to the Board of Directors salaries and all other related benefits affecting the staff of the League.

(c) To study and recommend to the Board of Directors any other actions which may from time to time be necessary in regard to the staff in general or any one member of the staff.

Rules and Regulations concerning the appointments and meetings of the above committees.

1. Appointment

In order to assure that proper personnel willing and able to act will always be found for these committees the



Appendix "E"

following procedure shall be followed each year.

(a) The appointment of all standing committees shall take place at the first meeting of the Board following the annual meeting of the League and shall be done by the Board of Directors, unless the said Board, by resolution, authorizes its Executive Committee to make the appointments.

(b) At the January Board Meeting in each year, the Board of Directors shall appoint from among the Board members whose terms are not expiring with the next annual meeting, a nomination committee of three which nomination committee shall, wherever applicable, recommend to the Board at its first meeting following the annual meeting, names of Board members and others who shall compose each committee for the ensuing year.

(c) The Board, in acting on the recommendations of the above nomination committee, shall by resolution name the chairman of each committee who shall be from among the members of the Board.

2. Meetings of Committees

(a) The Executive Committee which is established by the by-laws shall meet at least once every month and report monthly to the Board members and all committee members.

(b) All other standing committees shall meet as necessary, provided, however, that each committee shall meet at least once in between each meeting of the Board and provided further that if the chairman of a standing committee is of the opinion that such a regular meeting is not necessary he shall so inform the President prior to the next meeting of the Board.



Appendix "E"

(c) Each committee member shall always have the right to make a monthly report in writing if it is so desired on any recommendations of a majority of the committee.

(d) Out-of-pocket expenses shall be allowed to non-board committee members on the same basis as Board members for attendance at committee meetings.

(e) Non-board members of all standing committees shall always be welcome to attend all meetings of the Board of Directors, provided however, that it shall be required of them to attend the June and January meetings of the Board. Out-of-pocket expenses to attend these two meetings shall be re-imbursed as in the case of committee meetings.

(f) Each committee chairman shall be responsible for the call of the committee meetings and each committee shall report in writing to the Board and also prepare an annual report of its activities which report shall be submitted to the January meeting of the Board and to the annual meeting of the League.



APPENDIX "F"

THE BOARD OF DIRECTORS

Each year credit union members meet to elect their officers for another year.

DUTIES AND RESPONSIBILITIES OF DIRECTORS

The Act and the By-laws set out most of the duties of a Director but in addition to these there are other responsibilities. The following list may not be complete in every detail but is a guide.

Regular Meetings

Directors must be prepared to attend regular monthly meetings faithfully (By-laws, Section 28, Appendix "G").

Applications for Membership

One of the functions of a Board of Directors is to consider all applications for membership that have accumulated since the last meeting and to either approve or reject these applications and record their action in the minutes (By-laws, Sec. 5, Appendix "G"), (Act, Sec. 57(a), Appendix "A"). One of the important things for Directors to look into when dealing with applications is to make sure that the applicant comes within the sphere of operations, as outlined in Section 4 of the General by-laws (Appendix "G"). A member cannot be accepted into a society unless he qualified for membership under this Section.

Hiring Staff and Appointing Collectors

Section 56 of the Credit Unions Act (Appendix "A"), gives the Board of Directors full responsibility in regard to the hiring of a treasurer-manager, a loan officer (under Sec. 59(5)), and other employees of the society including the appointment of collectors.

They must also assume responsibility for discharging such officers or employees if they are not doing the kind of a job that is expected of them.



Appendix "F"

Compensation of Employees

The Board of Directors set the remuneration for the treasurer-manager and other employees of the society. In growing credit union organizations it is important that the Board of Directors keep a close watch on the amount of work involved in running the society so they can pay proper compensation for the work being done. The hours when a credit union shall be opened to the members is sometimes quite important in rendering a good service, and a change in these hours may require an adjustment in the remuneration paid to the manager. (Act, Section 56, Appendix "A").

Contracts

The Board of Directors has the power to enter into contracts on behalf of the society (Act, Section 56, Appendix "A"). For example, the Board may have to enter into a contract to lease office space.

Interest on Loans and Recommendations re Disposal of Earnings

Under Section 57 of the Act (Appendix "A"), the Board of Directors must decide on the rate of interest to be charged on loans. They must also set the rate of interest to be paid on deposits. In addition to this the Board of Directors should, after analyzing the year's operations, recommend to the annual meeting the rate of dividend to be paid on shares and the rate of interest to be refunded to the borrowers.

Filling Vacancies on Credit Committee

The Board of Directors appoints persons to fill vacancies in the Credit Committee until the next annual meeting (Act, Section 57, Appendix "A"; By-laws, Section 35, Appendix "C").



Appendix "F"

Filling Board Vacancies (By-laws, Section 27)

The Board also appoint persons to fill vacancies in the Board of Directors until the next annual meeting. The members, at the annual meeting, elect Directors to replace those whose term of office has expired and they also elect Directors and Committee members to fill the unexpired term of an office left vacant.

Maximum Loan Limit

The Board of Directors decide on the maximum loan that may be made by the Credit Committee if they feel that such action is necessary or desirable (Act, Section 57, Appendix "A"). It is sometimes necessary, in small credit unions or those just starting to limit the size of loans so that all members requiring the services of the society will be able to make some use of this borrowing privilege. Loan limits are not generally recommended because individual limitations can be placed on loans by the Credit Committee when they are dealing with individual applications.

Banking

Section 4(d) of the Act (Appendix "A"), places some limitation on the places where funds of the society may be deposited. Within the meaning of this section, the Board of Directors have the power to decide where these funds will be kept. For example, the Board may open a bank account for the credit union and they may also keep certain amounts of money on deposit with the Co-operative Credit Society.

Investments

Closely allied to this is the responsibility of the Board of Directors in the investment of credit union funds. In this respect they are limited under the



Appendix "F"

1 Trustee Act (Section 4(d) and (e) of the Credit
2 Union Act, Appendix "A"). These are very definite
3 limitations and the great majority of credit unions
4 limit themselves to investments in shares of the
5 Co-Operative Credit Society and in Government bonds.

6 Borrowing Powers

7 The Board of Directors may borrow money under
8 conditions described in the Act, Section 41 (Appendix
9 "A"). The Directors may borrow up to 25% of the
10 total shares, deposits and surplus if they first of
11 all pass a Borrowing By-law. In addition to this,
12 the Board may borrow up to a total of 50% of shares,
13 deposits and surplus if they have passed a borrowing
14 by-law to that effect, and such a by-law has been
15 sanctioned by a vote of not less than three-quarters
16 of the members present at a general meeting. Sub-
17 sections (4) and (5) of Section 41 make it clear
18 that a Borrowing By-law must be reviewed annually.
19 A Borrowing By-law only lasts for one year.

20 Delinquent Loans

21 It is the responsibility of the Board of Directors
22 to deal with all delinquent loans and take whatever
23 action is necessary in regard to collecting them.

24 Handling Expenses

25 The Board of Directors have charge of all credit
26 union expenses.

27 Bonding

28 The Directors shall determine the officers and
29 employees of the society who should be bonded (Act,
30 Section 55, Appendix "A") in keeping with the minimum
bond requirement as set out by the Government from
time to time.

31 Amendments to By-laws

32 It is one of the duties of the Board of Directors to
33 recommend to the shareholders any amendments to the
34 General By-laws which will need to be considered.



Appendix "F"

Reports from Committees

The Directors see that regular reports are made to the Board by both the Credit Committee and the Supervisory Committee and any other committees appointed by the Board or the annual meeting. This does not mean that the Board will control these committees but the Board must know what is going on in all phases of the credit union's activity, and committee reports are fundamental to sound Board action.

Charging Off Bad Loans.

Credit Unions must charge off bad loans under certain conditions. (See Act, Section 63(8), (9), (10) and (11) - Appendix "A").

General

The Board of Directors has the general administration of the affairs of the credit union. They make sure that the members are kept properly informed on the operations of the society through reports and letters.



APPENDIX "H"

CO-OPERATIVE CREDIT SOCIETY OF MANITOBA LIMITED

BY-LAWS

ARTICLE I

MEMBERSHIP AND SHARES

Membership

1. Membership in the Society by corporations shall be confined to credit unions, associations or companies incorporated or registered by or under the provisions of the Credit Unions Act, 1946, and companies, societies or associations which have members or carry on business in the Province of Manitoba generally and not in one locality or which in the opinion of the directors have not available services normally rendered by a credit union and which are incorporated or registered by or under Part VII of the Companies Act or by or under general or special legislation of the Province of Manitoba, the Dominion of Canada or any Province thereof or the United Kingdom or the United States of America or any foreign country whose business is conducted in accordance with credit union or co-operative principles; provided that the Board of Directors may refuse applications for membership from any credit union, association, society or company.

No individual members

2. After the first annual meeting individuals shall not be eligible for membership in the Company.

Applications for shares

3. Each application for shares shall be in writing and under seal of the applicant, signed on behalf of the applicant by at least two officers or directors thereof. The applicant shall furnish to the directors such further information and documents as they may require for the purpose of considering the application for shares.

Minimum Subscription allotment

4. Each applicant for shares must subscribe for at least 2 shares and the par value of at least 2 shares must be paid in cash at the time of application and subsequent shares applied for shall be payable in full.

Allotment

5. Shares in the capital stock of the Company shall be allotted by resolution of the Board of Directors on such terms and conditions and to such persons as the directors may deem advisable.



**Share
Certificates**

6. (a) Every registered member shall be entitled to a certificate or certificates in such form as the Board of Directors may approve for any or all of the fully paid up shares standing in its name for the time being;

(b) In case a certificate is lost, defaced or destroyed a duplicate thereof may be issued on such terms as to evidence, indemnity and fee as the directors may prescribe by resolution.

**Transfer of
Shares**

7. (a) Transfers of shares shall be made only on the books of the society with the approval of the directors and in such form of transfer and upon payment of such registration fee as the Board may from time to time determine. Before a new certificate is issued the old certificate must be surrendered for cancellation or if the old certificate has been lost or destroyed a bond of indemnity may be required.

(b) The transferer shall be deemed to remain a holder of a share or shares until the name of the transferee is entered in the register of members in respect thereof.

**Redemption
of shares**

8. Shares of the Company may be redeemed or purchased by the Company from the members at such price and upon such terms and conditions as the directors may approve; provided, however, that this power shall not be exercised in respect of more than ten percentum of the issued shares of the Company in any fiscal year and provided further that no such redemption or purchase shall be made when the Society is insolvent or so as to render the Society insolvent or so as to reduce the number of members to less than fifty.

**Liens
on shares**

9. The Company shall have a lien on all shares standing registered in the name of a member for all monies whatsoever payable by such member to the Society, but the Directors may at any time by resolution declare any share to be wholly or in part exempt from the provisions of this clause. The Society's lien on a share shall extend to the interest payable thereon.

**Liens on
Patronage
Returns**

10. (a) The Company shall have a lien on all funds arising in any way as patronage returns credited or allocated to members for all monies payable by members of the Society.

(b) The Society may, after giving to the member fourteen days notice in writing forwarded by registered mail to the member's last address as registered on the books of the Society of its intention to do so, apply on account of the indebtedness sufficient of the said funds to cover the said indebtedness to such member, or such lesser amount as may be held to the credit of such member so indebted to the Society.



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5 **Power of**
6 **Sale**

11. The Society may sell in such manner as the directors think fit, any shares on which the Society has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days, after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable has been given to the registered holder for the time being of the share or to the person entitled to the share by reason of its bankruptcy.

9 **Proceeds**
10 **of Sale**

12. The proceeds of the sale shall be applied in payment of such part of the amount in respect of which the lien exists, as is presently payable and the residue shall be paid to the person entitled to the share at the date of the sale. The purchaser shall be registered as the holder of the shares and it shall not be bound to see to the application of the purchase money nor shall its title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

13 **Expulsion of**
14 **members**

13. A member may be expelled by a two-thirds vote of the members of the Board of Directors and of the credit committee present at a special joint meeting of the Board and the committee called to consider the matter, but only after a hearing

15 **Withdrawal**
16 **of Members**

14. Any member may withdraw from the Society at any time upon giving ninety days notice of withdrawal; provided, however, that no member may withdraw while a borrower and endorser or guarantor of any loan due to the Society.

17 **Rights of members**
18 **upon withdrawal or**
19 **expulsion**

(1) Upon withdrawal or expulsion a member may withdraw deposits upon such terms and conditions as the directors may prescribe.

(2) Upon withdrawal or expulsion the redemption of a member's shares shall be governed by Section 13 of this Article.

(3) Upon withdrawal or expulsion a member shall be entitled to all interest and dividends of whatever kind accruing in respect of its deposits or shares or business with the Society as of the date thereof.

(4) Before withdrawal of deposits or redemption of shares or payment of interest and dividends to a member upon withdrawal or expulsion all amounts due to the Society from the member shall be deducted or otherwise paid in full.

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ARTICLE II

REGIONS AND DISTRICTS

Regions and
Districts

1. The area of operations of the Society in the Province of Manitoba shall be divided into six geographical districts as described in Schedule B to these by-laws and to be known as follows:

- District No. 1
- District No. 2
- District No. 3
- District No. 4
- District No. 5
- District No. 6

ARTICLE III

Members and
powers of
delegates

1. (a) At the first general meeting and all meetings thereafter all members shall be represented by delegates at general or special meetings of the Society elected or appointed by the members for such purposes and the votes of the delegates at any such meetings shall be deemed to be the votes of each and every member of the Society and shall be as effective as if every member of the Society were present and took part in such meeting.

(b) Each member shall be entitled to be represented by one delegate at the meetings of the Society.

Qualification
of
delegates

2. (1) Each delegate must be a member of a credit union association, society or company which is a member of the Society.

(2) A retiring delegate shall be eligible for re-election.

(3) In the event of a delegate ceasing to be qualified as prescribed in this section he shall cease to be a delegate.

Alternate
Delegates

3. Shareholders entitled to appoint a delegate to attend shareholders' meetings shall also be entitled to appoint an alternate delegate who must have the same qualifications as a delegate, to attend such shareholders' meetings in the absence or inability to attend of the delegate. Where any delegate is not present at the meeting the alternate delegate may, if present, vote in place of the delegate.



Remuneration
of Delegates

4. Each delegate shall, for attending any general or special meeting of the Society, or for attending to the business of the Society, on every occasion file a claim for his railway fare or bus fare. The fares shall be pooled and divided proportionately between the delegates.

ARTICLE IV

MEETINGS

First
Meeting

1. The first annual meeting of the Society shall be held on such day, being not more than six months after the incorporation of the Society at such time and place in the Province of Manitoba as the provisional directors may determine.

Annual
General
Meeting

2. After the first general meeting, the date of which shall be set by the provisional directors as hereinbefore provided, the annual general meeting of the Society shall be held each year upon such date and at such hour and place in the Province of Manitoba as may be determined by the directors.

Special
General
Meetings

3. (a) Special general meetings of the Society may be called at any time by the directors whenever they deem the same necessary or advisable and may be held upon such date and at such hour and place in the Province of Manitoba as the directors may determine.

(b) It shall be also necessary for the directors to call a special general meeting whenever requested in writing so to do by not less than twenty-five members and if the directors do not, within twenty days from the date the request is made, proceed to call a special general meeting of the Society, then thirty-five members may themselves call a special general meeting which shall be held in the city in which the head office of the Society is located.

Notice of
Meeting

4. Notice of other annual general meeting or special general meeting, specifying the place, date and hour of the meeting, shall be given by mailing a notice to that effect to each member at its address last registered at the head office of the Society at least twenty days before the day on which such meeting is to be held. The non-receipt of the notice by any member shall not invalidate the proceedings or the business transacted at such meetings.



Credentials

5. Each delegate, before being entitled to vote, shall present in such form as the directors require, evidence of his due appointment or election as a delegate.

Quorum

6. At any regular or special meeting of the Society, delegates representing at least fifteen members shall constitute a quorum and if this quorum is not present, the Presiding Officer of the meeting shall adjourn the meeting to a date not less than seven or more than fifteen days thereafter, and the decision of the adjourned meeting shall be binding upon the Society regardless of the number of members represented, provided that notice of the adjourned meeting shall be given by the Secretary by a letter at least five days previous to the date of the adjourned meeting. Provided, however, that at the first general meeting of the Society a majority of members present shall constitute a quorum.

Voting

7. (a) At and after the first annual general meeting no member shall vote except through delegates and no delegate shall vote by proxy.

(b) Each delegate shall have only one vote irrespective of the number of members or shares represented by him.

Procedure

8. Every question submitted to any meeting of shareholders shall be decided in the first instance by a show of hands and in the case of an equality of votes the resolution shall be declared lost.

At any meeting unless a poll is demanded a declaration by the Chairman that a resolution has been carried or carried unanimously or by any particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact.

If at any meeting a poll is demanded on the election of a chairman or on the question of adjournment, it shall be taken forthwith without adjournment.

If at any meeting a poll is demanded on any other question, it shall be taken in such manner and either at once or after adjournment as the chairman directs. The result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

A demand for a poll may be withdrawn.



Order of
Business

9. The order of business for the annual meeting and, so far as practicable, at other meetings of the Society shall include:

- (1) Roll call and/or filing of delegates' credentials
- (2) Proof of due calling of meeting
- (3) Reading and disposal of Minutes of previous meeting.
- (4) Business arising out of Minutes
- (5) Report of Directors
- (6) Reports of committees and officers
- (7) Report of auditor and consideration of financial statement
- (8) Elections
- (9) Unfinished business
- (10) Appointment of auditor for the ensuing year
- (11) New business
- (12) Adjournment

Adjournment

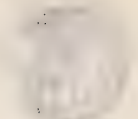
10. The chairman may, with the consent of the meeting, recess any meeting of the Society from time to time and from place to place.

ARTICLE V

DIRECTORS

Provisional
Directors

1. The persons named in Section 1 of the Act of Incorporation of the Society shall be the provisional directors and shall hold office until their successors are elected at a general meeting of the Society. A majority of the provisional directors shall constitute a quorum.



Order of

9. The order of business for the annual meeting shall be as follows: (a) Devotional, at other meetings of the Society.

(1) Roll call and reading of minutes of last meeting.

(2) Report of the Finance Committee.

(3) Reading and discussion of minutes of previous meeting.

(4) Business arising out of minutes.

(5) Report of the Finance Committee.

(6) Reports of committees and officers.

(7) Report of the Finance Committee on the consideration of financial matters.

(8) The time.

(9) Adjournment.

10. Appointment of subject for the coming year.

(10) Adjournment.

11. The chairman may, with the consent of the meeting, suspend any meeting of the Society from time to time and from place to place.

At Test:

Secretary

12. The persons named in Section 1 of the Act for the incorporation of the Society shall be the provisional directors and shall hold office until their successors are elected at a general meeting of the Society.

13. The



**Number of
Directors**

2. The Board of Directors shall consist of not more than fifteen directors.

**Qualifications
of Directors**

3. (1) A director must be a member of, or shareholder in, a credit union, association, or company that is a member of the company, or of a credit union, association, society, or company that is a member of, or shareholder in, a member of the Society.

(2) A retiring director shall be eligible for re-election.

(3) A director must be a resident of the Province of Manitoba.

**First Perm-
anent
Directors**

4. At the first general meeting of the Society a Board of Directors shall be elected and shall hold office until the first annual general meeting.

**Term of
Office**

5. (1) Directors shall hold office for a period of three years or until election of their duly qualified successors, provided that at the first meeting of the shareholders it shall be determined which of the Directors shall hold office for one, two or three-year terms respectively, and the determination shall be entered in the Minutes of the meeting.

(2) At every annual general meeting thereafter, the Directors shall be elected for a three-year term, to fill the places of the retiring directors, who shall be eligible for re-election.

**Directors
elected by
districts**

6. (a) Directors shall represent and be elected separately by delegates representing the geographical districts of the Society on the basis of one Director for every 18 members or major portion thereof of the Society in each geographical district; provided that each geographical district shall be represented by at least one Director.

(b) Co-operative associations, companies or societies which are members of the Society in accordance with Article 1 Section 1 of the general by-laws shall ipso facto be included into the geographical district in which their head office or Manitoba Branch office is located.



Procedure
in Election
of
Directors

7. (a) Directors shall be elected by District meetings of delegates held at the same time and place as the annual general meeting of the Society; or Directors may be elected by District meetings of delegates held not more than 60 days prior to the annual meeting of the Society. Notice of such District Meetings of the delegates for the purpose of electing directors shall be given at least 30 days prior to the date of such district meetings. District meetings held before the annual meeting shall be called by the Board of Directors of the Society if requested by three or more credit unions in a district.

(b) Delegates attending a district meeting pursuant to such notice shall elect a chairman and secretary. The chairman shall conduct the meeting according to the procedure provided in the by-laws for the conduct of a general meeting of the Society insofar as the same is applicable. At any district meeting called for the purpose of electing a director, those delegates present from such district shall constitute a quorum.

(c) In district meetings of the Society, directors, after nomination, shall be elected by secret ballot, with each delegate casting votes equal to the number of vacancies and subject to receiving a majority of the votes cast, candidates to the number to be elected receiving the highest number of votes shall be declared elected. In case it becomes necessary to take a second or further ballot, the candidate receiving the lowest number of votes on the preceding ballot shall be eliminated.

(d) If the number of candidates nominated does not exceed the required number of directors to be elected, all the candidates so nominated shall be declared elected.

(e) Candidates nominated pursuant to subsection (c) shall before votes are cast, furnish the chairman of the meeting satisfactory proof that he or she is qualified as a candidate under section 3 of this part of the By-laws and further proof in writing that his or her candidacy is supported by the credit union, association or company of which he or she is a member.



Vacancies

8. If the office of director becomes vacant, the directors shall fill the same for the balance of the year in which the vacancy takes place. At the next general meeting of the Society the vacancy shall be filled by the delegates and any person elected to fill such vacancy shall hold office until the expiration of the term of office of the original director.

Remuneration

9. The remuneration of the directors shall, from time to time, be determined by the delegates.

Vacation of office

10. The office of director shall be vacated by any director if:

- (a) He resigns;
- (b) He ceases to qualify as a director;
- (c) He becomes bankrupt or suspends payment or compounds with his creditors or makes an authorized assignment or is declared insolvent;
- (d) He becomes financially interested in any business conflicting with the interests of the Society;
- (e) He is directly or indirectly interested in any contract with the Society or participates in the profits of any contract with the Society unless he first discloses his interest to the Board in open meeting and refrains from voting in respect of any such contract;
- (f) He becomes an employee of the Society, or the employee of a society or a company owned and controlled by the Society;
- (g) By resolution passed by a three-quarters vote of those present at a general meeting called for that purpose he is removed from office.
- (h) A director who moves his residence outside of the boundaries of the district he represents shall resign from the board of directors at the first meeting following such a change of residence and if such resignation is not received, the board of directors shall declare the position of director for the district to be vacant.



Meetings

11. Regular meetings of the Board of Directors shall be held at least once every three months and may be called by the President or any two of the directors.

Notice of Meetings

12. Notice of any meeting of directors shall be given in writing or by telegram not less than five days before such meeting provided that no notice shall be necessary in case of a meeting of directors held immediately upon the adjournment of the annual general meeting of the Society and provided further that meetings of directors may be held without formal notice, if all the directors are present or if those absent have signified their consent to such meeting or their consent to the business transacted thereat.

Quorum

13. A majority of directors shall constitute a quorum at any meeting of the Board of Directors.

Executive and other Committees

14. (a) The Board of Directors shall have authority to constitute an executive committee which shall consist of the officers of the Society.

(b) The executive committee shall, in the interval between the meetings of the directors, exercise all the powers of the directors in accordance with the general policy of the Society and the directions of the directors.

(c) Meetings of the executive committee shall be held at the call of the President or a majority of the committee. Meetings may be called on four days' notice by letter, telegram, or telephone. A majority of the members of the executive committee shall constitute a quorum.

(d) The executive committee shall keep a record of all meetings and actions thereof and such records shall be open at all times to the inspection of any director and shall be submitted for approval to the next succeeding Board meeting.

(e) The directors shall have power to constitute any further or other standing committees as, in its discretion, are deemed necessary or desirable for the conduct of the business of the Society and confer upon such committees such authority and assign to any such committees such duties as it may from time to time determine.



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**Powers of
Directors**

15. (a) The business of the Society shall be managed by the directors who may exercise all such powers, of the Society as are not required to be exercised by the Society in general meeting. Subject, nevertheless, to these by-laws and such regulations not inconsistent with these by-laws as may be prescribed by the Society in general meeting, no regulation made by the Society in general meeting shall invalidate any prior act of the directors which would have been valid if that regulation had not been made.

(b) Without limiting the generality of the power hereinbefore conferred upon the Board of Directors, it may:

(i) have power to allot and transfer all shares in the Society;

(ii) appoint a manager or managers of the Society and define the duties of such manager or managers;

(iii) prescribe in what manner all officers and employees of the Society shall be engaged and discharged;

(iv) fix the amount of the bond, if any, required for the manager, treasurer and other officers and employees;

(v) conduct the business of the Society according to general law, the statute or statutes under which the Society from time to time derives its power, these by-laws, the principles of co-operation and the best interests of the Society, and supervise the carrying out of the instructions of the Society;

(vi) prepare an annual report of the business of the Society and present the same, together with the auditor's report, to the annual general meeting of the Society;

(vii) make all necessary provisions for the calling of annual and special general meetings of the Society, or delegate such powers to the executive committee.



(c) The Powers and duties of all officers of the Society and the terms of employment and remuneration shall be settled from time to time by directors and in the absence of any agreement to the contrary the employment of all officers shall be at the pleasure of the directors.

ARTICLE VI

OFFICERS

Officers

1. (a) The officers of the Society shall be: a President; a First Vice President and a Second Vice President; and a Secretary.

(b) A treasurer who may or may not be a director shall be appointed yearly by the directors and shall be bonded in such amount as the directors see fit.

Manager

2. The directors may also appoint a manager and such other officers as they see fit, with such powers and duties as the directors may determine.

Remuneration

3. The directors may fix the remuneration of the officers of the Society, whether directors or not.

President

4. The President shall preside at all meetings of the Board of Directors and shareholders; he shall sign all deeds and other formal documents; he shall countersign all share certificates and shall perform such other duties as are usually incident to the office of President of a company or are required of him by the directors, provided that the directors may, by resolution, authorize some other person to sign deeds and other formal documents and countersign certificates of stock. The President shall be an ex-officio member of all committees.

Vice Presidents

5. In case of the absence of the President or his inability from any cause to act, the First Vice-President, and in his absence the Second Vice-President, shall discharge the duties of the President.



Secretary

6. The Secretary shall attend all meetings of the Society and of the Board of Directors and keep correct Minutes of the same; he shall sign all deeds and other formal documents; he shall give due notice of all meetings of shareholders and directors and shall perform such other duties as are incident to his office or as may be required of him from time to time by the directors.

Treasurer

7. The Treasurer shall have charge of all monies and securities of the Society; unless the Board otherwise order he shall deliver up such monies and securities and any books or documents relating thereto as and when instructed or authorized by resolution of the Board of Directors and not otherwise; and he shall perform such other duties as are incident to his office or as may be required of him from time to time by the directors.

ARTICLE VII

CREDIT COMMITTEE

**Credit Committee
Members**

1. There shall be a credit committee of three members, who may or may not be directors, which shall hold office for one year and which shall be elected each year by the Board of Directors at the directors' meeting immediately following the annual general meeting of the Society. The committee shall amongst themselves elect the chairman.

Powers

2. The Credit Committee shall have the general supervision of all loans to members and subject to any general order of the Board and the provisions of the Act of Incorporation fix the security required if any and the terms of repayment of all loans. At least a majority of the credit committee shall be present when any loan is under consideration and every loan must have the unanimous approval of every member of the credit committee who is present.

**Application
for Loans**

3. Every application for a loan shall be on a form provided by the Society and shall set forth the purpose for which the loan is desired, the security, if any, offered, and such other information as the Society may require.



Procedure

4. The credit committee shall elect their own chairman and shall meet as often as the business of the Society may require. Meetings shall be called by the chairman and shall also be called on request of two members of the committee. A majority of the committee shall constitute a quorum.

Report

5. A complete detailed and up-to-date report of all proceedings and actions of the credit committee shall be submitted to each meeting of the Board of Directors in writing.

ARTICLE VIII

DEPOSITS

Deposits from
Members

A member may deposit money with the Society upon such terms as to interest, security, time of payment and otherwise as the directors may determine.

ARTICLE IX

DISTRIBUTION

Distribution of
Earnings

1. The directors after paying expenses and making proper allowance for depreciation shall apportion the net earnings of the yearly business of the Society as follows:

(a) By setting aside an amount equal to at least twenty percent (20%) of the net earnings in a reserve fund, until the reserve fund is equal to fifty percent (50%) of the paid up capital of the Society, which fund shall be held as a reserve against uncollectible loans or losses and shall not be used for any other purpose except on dissolution, winding up or liquidation, provided that the directors may establish such other reserve funds as they may deem necessary or advisable.

(b) By paying interest on the paid up capital at a rate not exceeding five percent (5%) per annum.



(c) Such further portion of the net earnings in any year shall be allocated, credited or paid to the shareholders as a borrowed dividend amongst the members of the Company, in proportion to the interest earned by the Company from the members during those years; but interest and borrowed dividends due to the members may be placed to the credit of the members on share capital account until the unpaid balance of all shares held by the members is fully paid up.

ARTICLE X

RECORDS

Records

1. The Secretary shall keep a book in such form as may be approved by the Board of Directors in which shall be kept recorded:

(1) a copy of the Act of the Legislative Assembly of the Province of Manitoba incorporating the Society and any supplementary legislation of that or any other provincial legislature, or, of the Parliament of Canada, and of all the by-laws of the Society;

(2) the names, alphabetically arranged, of all persons who are or have been members;

(3) the address and occupation of each such person while a member, as far as can be ascertained;

(4) the number of shares of stock held by each member;

(5) the amounts paid in and remaining unpaid respectively on the stock of each member;

(6) the amounts, if any, standing to the credit of a member; and

(7) the names, addresses and occupations of all persons who are or have been directors of the Society, with the several dates on which each became or ceased to be such a director.



ARTICLE XI

FISCAL YEAR

Fiscal Year

The fiscal year of the Society shall end on the 31st day of December.

ARTICLE XII

HEAD OFFICE

Head Office

1. That Article XII of the general by-laws be deleted in its entirety and replaced as follows:

"The Head Office of the Society shall be located in the City of St. Boniface in the Province of Manitoba."

2. That the change in the place of the Head Office of the Company shall become effective on the 1st day of September, 1957.

ARTICLE XIII

SEAL

Seal

The seal of the Society shall not be fixed to any instrument except by the authority of a resolution of the directors and in the presence of the President or Vice-President or such other persons as the directors may appoint for the purpose and in the presence of the Secretary or such other person or persons as the directors may appoint for that purpose. And the President or Vice President or such other person or persons as aforesaid and the Secretary or other person or persons as aforesaid shall sign every instrument to which the seal of the Society is so affixed in their presence.

ARTICLE XIV

AUDITOR

Auditor

1. The Company shall at each annual meeting appoint a duly qualified auditor or auditors to hold office until the next annual general meeting.



2. At least at the end of each fiscal year such auditor or auditors shall audit the books and accounts of the Society and shall report thereon to the Board and to the annual general meeting.

ARTICLE XV

AMENDMENT TO BY-LAWS

Amendment to By-laws

1. The Society may at any general or special meeting called for the purpose enact all necessary by-laws not contrary to law or to the provisions of the Act of Incorporation as may be deemed necessary or advisable, and such by-laws may be added to, amended, or repealed and others substituted therefor at any meeting of the Society subject to the provisions thereof provided that any enactment, amendment, repeal, or substitution shall be made by a majority of not less than two thirds of the delegates as being entitled to vote thereon; provided further that if written notice of the proposed enactment, amendment, repeal or substitution is forwarded to each member with the notice of the meeting at which such enactment, amendment, repeal or substitution is to be considered, then a majority of delegates present at such meeting who are entitled to and do vote shall be sufficient.

ARTICLE XVI

GENERAL

General

1. Notice may be given by the Society to any member, delegate or director, either personally or by sending it by post to him to his last known address or to his registered address or any supplied by him to the Society for the giving of notices to him.

2. Where a notice is sent by post, service of the notice shall be deemed to be effective by properly addressing, prepaying and posting the letter containing the notice and shall be deemed to be effected at the time at which the letter was deposited in the post office.

APPENDIX "I"THE CREDIT COMMITTEE

The Credit Committee has sometimes been called "The Heart of the Credit Union". It is a very important factor in the proper running of a credit union. The members of a Credit Committee must be patient and considerate. They are elected to help the members of the society. They are not expected to be hard-boiled but they are expected to be businesslike in their approach to making loans. The members of a Credit Committee are loaning out the Credit Unions funds to members and they should govern themselves accordingly.

Election

The Committee is elected by the annual meeting and may consist of three, four or five members (Act, Section 59 - Appendix "A"; By-laws, Section 31 - Appendix "G"). A member of the Credit Committee cannot be a Board member or member of the Supervisory Committee or treasurer-manager of the society.

The method of electing the Credit Committee members is outlined in the By-laws, Section 32, 33 and 34 (Appendix "G"). Where a vacancy occurs on the Credit Committee the Board of Directors shall appoint a person to fill the vacancy until the next annual meeting when the shareholders shall elect a member to complete the unexpired term (By-laws, Section 35 - Appendix "G").

Appointments by the Board

Under the Act the Board (under certain conditions) may appoint all or some of the members of the Credit Committee (Act, Section 59(2) - Appendix "A"). Credit unions carrying on business under the Standard By-laws have their Credit Committee elected by the annual meeting in the usual way.

A credit union may if it wishes have one or more members of the Committee appointed by the Board by by-law, as provided by the Act.

THE CREDIT UNION

The Credit Union has been called "The Heart of the Credit Union". It is a very important factor in the life of the community. The Credit Union must be patient and conservative. They are elected to help the members of the society. They are not expected to be hard-boiled but they are expected to be practical in their approach to making loans. The members of a Credit Union are loaning out the Credit Union funds to members and they should govern themselves accordingly.

The Committee is elected by the annual meeting and may consist of three, four or five members (Act, Section 29). Appendix "A"; By-laws, Section 31 - Appendix "C". A member of the Credit Committee cannot be a Board member or member of the Supervisory Committee or treasurer-manager of the society. The method of electing the Credit Committee members is outlined in the By-laws, Section 32, 33 and 34 (Appendix "D"). Where a vacancy occurs on the Credit Committee the Board of Directors shall appoint a person to fill the vacancy in the next annual meeting when the shareholders shall elect a member to complete the unexpired term (By-laws, Section 35 - Appendix "E").

APPOINTMENT BY THE BOARD

Under the Act the Board (under certain conditions) may appoint and or some of the members of the Credit Committee (Act, Section 29(2) - Appendix "A"). Credit unions operating on business under the Standard By-laws have their Credit Committee elected by the annual meeting in the usual way. A credit union may if it wishes have one or more members of the Committee appointed by the Board (By-laws, Section 32, 33 and 34).



Loan Officer

Under Section 59 of the Act (Appendix "A") any credit union with more than \$400,000 of paid-up capital and deposits may (under certain conditions) appoint a loan Officer.

The Credit Committee is the body which sets the limit on the size of loans which may be made by a Loan Officer. Therefore, there must be complete co-operation and understanding between the Board and the Credit Committee to make a loan officer position successful.

The Loan Officer may make loans without the prior consideration of the Committee but any application refused by the Loan Officer may be reviewed by the Credit Committee.

Fundamentally the purpose of the Loan Officer is to take some of the detail workload off the Credit Committee.

Meetings

The Credit Committee is required to hold regular monthly meetings and other meetings as required to look after Credit Committee work. (By-laws, Section 36 - Appendix "C"). In actual fact, Credit Committees meet as often as several times a week and if they do their job well they are certainly the hardest worked committee in the credit union.

The purpose of the regular monthly meeting is intended to be much more than just a meeting to deal with loan applications. It is a general review of the work done, and to be done, by the Credit Committee. For example, they have a report from the chairman or secretary on the number and amount of loans made during a given period. They must also have a report by the loan officer (if one is appointed) showing all applications received and how they were handled. When the loan officer refuses a loan, the Credit Committee may review and authorize such a loan. They have a report from the manager on how many loans have become delinquent in their payments and the reasons for such delinquency. They should also deal with any problems regard

From a look at these factors they will be



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able to determine whether they are on the right track in making loans and decide whether or not they should tighten up on loans. They will also see from the discussions some instances where they may have been too "tough" in the making of loans or where they did not give sufficient time and consideration to the application of the borrower.

Another question that should be decided and reviewed at regular monthly meetings of the Committee is the question of limiting or extending the authority of the manager-treasurer in the making of small short-term loans within the limitations of Section 59 of the Act, Subsections (5), (6) and (7) (See Appendix "A").

The Committee should also occasionally review its position under Section 59(8) of the Act (See Appendix "A").

Responsibilities of Credit Committees

Section 59(6) of the Act reads as follows: "The Credit Committee has the general supervision of all loans made by the society." In the light of this section, we will deal with the duties and responsibilities of committee members under the following three headings:

The Mechanics of Making Loans Where There is Not
A Loan Officer.

1. The application for a loan must be properly completed by the prospective borrower. In many cases the manager helps the member to see that the form is properly completed.

2. Ordinarily the manager will present the loan application to the Credit Committee (exceptions to this are noted below under Paragraph 3). The Credit Committee should have at its disposal the past record of the applicant's borrowing from the credit union. They are also required to enquire into the personal habits and financial condition of the



Appendix "I"

borrower and analyze his ability to repay fully and promptly the obligations he has assumed (By-laws, Section 37 - See Appendix "G"). They shall decide on the security to be taken and the terms of repayment of the loan. (The rate of interest on loans is set by the Board of Directors) All of this may be done in a matter of minutes but in some cases it may have to be delayed for a period of days before final approval can be given. The members present at a Credit Committee meeting must be unanimous in their approval of a loan before it can be granted (Act, Section 49(10) - See Appendix "A").

3. The exceptions to Committee approval of a loan before it is made are those set out in the Act (Section 59(9), (12) and (13), and Section 63(6) - See Appendix "A"). Even these exceptions, however, must receive subsequent consideration by the Committee.

4. After loans have been approved by the Credit Committee (or Loan Officer) and made by the Manager, the Credit Committee checks occasionally to see that the required security was taken and that the instructions of the Committee are properly carried out.

5. Minutes are kept of all meetings.

Restrictions and Limitations on Making Loans

The Act sets out restrictions and limitations regarding credit union operations for two main reasons:

1. To comply with good credit union practice. The restrictions and limitations are there because many years of credit union experience has shown that they are necessary to successful operations.



Appendix "I"

2. To keep credit unions operating along sound business lines that have been found over many years of trial and error to be necessary to keep them from bankruptcy.

Credit Union "service" has some limitations largely due to the tremendous amount of voluntary effort that goes into running a society but it also has decided advantages to the members over other types of lending institutions.

Collecting Loans

Every loan made to a credit union member is to be collected on the basis of the terms of the agreement between the credit union and the borrower. This is one important factor that is explained to the borrower at the time the loan is made. The certainty of collecting a loan is determined at the time the loan is made. The care and attention given to the granting of loans is extremely important and reduces collecting costs and worries to a minimum.

Credit union practice has placed the responsibility on the Board of Directors for collecting delinquent loans. The Credit Committee, however, shares this responsibility. To this end it is understood that the Committee and the Board co-operate completely.

Some credit unions make the Credit Committee responsible for following up on delinquent loans or delinquent payments. They claim that the Credit Committee is a lot more careful and reasonable about making loans if they know some of the problems of collecting.

Other credit unions appoint a Delinquent Loan Committee, general Board members, who have the responsibility of checking on all loans in arrears and making recommendations to the Board regarding the action that should be taken to collect loans



APPENDIX "J"

THE SUPERVISORY COMMITTEE

Duties of the Supervisory Committee

The Supervisory Committee of 3 to 5 is required to examine the affairs of the society at least every three months. The by-laws (Section 43) (See Appendix "G") also require regular monthly meetings. (See Act, Section 60 - Appendix "A").

The responsibilities of this Committee give it a great deal of authority. For example, in its examination of the affairs of the society the Committee may, if it unanimously deems such action necessary, suspend any officer, director, or committee member and by a majority vote may call a general meeting of the members to act on such suspension. This procedure would only be adopted in extreme cases where fraud was evident or where officers were deliberately doing things that would be detrimental to the society. In the ordinary course of events, however, the Supervisory Committee would report any mal-practices and without exception these would be carefully considered by the Board and Committees concerned.

The by-laws (Section 42 - Appendix "G") and the Act (Section 60 - Appendix "A") outline in greater detail some of the duties of the committee.

Section 60, Subsection (5) of the Act (See Appendix "A") and Section 42, Subsections (3), (4) and (5) of the By-laws (See Appendix "G") may require some further explanation. It was realized some time ago that some credit unions had become so large and had so many transactions to check that the Supervisory Committee could not be expected to do a complete job. The Committee might feel that a more detailed study of the records was necessary to protect the interests of the members. These sections give the Committee authority to employ an outside auditor if the Board approved the expenditure and if the Minister or the Director of Co-operative Services approved of the auditor. The purpose of this latter safeguard



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is to make certain that the Committee does not delegate its responsibilities to persons who are not qualified.

The Treasurer's monthly report must be signed by at least one member of the Committee.

The Supervisory Committee must report "at least once every three months" to the Board of Directors (Act, Section 60(8) - See Appendix "A") with particular attention to the keeping of the books and delinquent loans and any other irregularities in the operation of the society.

If any Supervisory Committee members are inactive for a period of three months or more the Board may declare that their term of office has expired and shall forthwith appoint a member of the society to fill the vacancy created. (Act, Section 60, Subsections (9) and (10) - See Appendix "A").

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is to make certain that the Committee does not delegate its
responsibilities to persons who are not qualified.
The Treasurer's monthly report must be signed by
at least one member of the Committee.

once every three months" to the Board of Directors (Act.
Section 60(2) - See Appendix "A") with particular reference to
the keeping of the books and relevant records and any other
investigations in the operation of the society.
If any Supervisory Committee members are appointed
for a period of three months or more the board may decide
that their term of office has expired and shall be
appointed a member of the society to fill the vacancy created.
(Act, Section 60, paragraph (2) and (3) - See Appendix "A").



SUMMARY OF BALANCE SHEETS

YEARS 1952 TO 1961

	November 30 1952	October 31 1953	October 31 1954	October 31 1955	December 31 1956	December 31 1957	December 31 1958	December 31 1959	December 31 1960	December 31 1961
ASSETS TO MEMBERS:										
Credit union societies.....	\$222,622	\$ 625,389	\$874,213	\$734,249	\$ 744,375	\$ 750,725	\$ 721,250	\$1,469,945	\$1,592,575	\$1,689,055
Co-operative associations.....	386,100	154,100	35,000	46,000	123,000	217,000	380,000	-	-	-
Credit Union League of Manitoba Limited.....	-	-	-	-	12,670	30,871	33,146	31,625	35,631	29,712
Deposit account overdrafts, credit union societies.....	-	1,582	11,275	15,509	9,208	3,332	1,592	3,418	12,793	20,017
CASH AND INVESTMENTS.....	608,722	781,071	920,488	795,758	889,253	1,001,928	1,135,988	1,504,988	1,640,999	1,738,784
	321,771	212,681	40,250	64,182	123,594	171,723	296,084	133,800	261,512	321,465
FURNITURE AND EQUIPMENT:										
Office furniture and equipment and automobiles, less provisions for depreciation.....	10,914	15,579	15,838	14,723	-	-	1	1	1	1
NET ASSETS.....	12,815	11,786	19,172	23,572	12,306	15,712	13,300	10,406	10,098	10,774
	\$954,222	\$1,021,117	\$995,748	\$898,235	\$1,025,153	\$1,189,363	\$1,445,373	\$1,649,195	\$1,912,610	\$2,071,024
LIABILITIES BY MEMBERS:										
Credit union societies - current term.....	\$338,000	\$ 212,608	\$255,227	\$361,389	\$ 520,013	\$ 605,338	\$ 679,139	\$ 616,252	\$ 871,286	\$ 811,371
Co-operative associations.....	36,833	24,584	24,324	16,185	27,828	88,169	228,035	89,801	319,276	472,101
MEMBERS' SHARE ACCOUNTS.....	352,304	387,147	453,026	454,745	442,610	459,450	497,850	568,140	634,035	688,520
RESERVES.....	6,844	9,715	13,442	16,225	21,782	25,820	29,995	37,179	44,818	53,056
APPROPRIATED SURPLUS.....	937	544	768	2,301	3,310	2,632	2,612	5,228	9,234	12,227
LOANS AND OVERDRAFTS.....	735,518	634,598	782,914	890,972	1,023,476	1,187,975	1,441,545	1,320,366	1,907,036	2,067,201
	184,975	374,943	194,578	-	-	-	-	325,900	-	-
ACCOUNTS PAYABLE.....	920,493	1,009,541	977,492	890,972	1,023,476	1,187,975	1,441,545	1,045,366	1,907,036	2,067,201
	33,729	11,576	18,256	7,263	1,677	1,388	3,828	3,829	5,574	3,823
	\$954,222	\$1,021,117	\$995,748	\$898,235	\$1,025,153	\$1,189,363	\$1,445,373	\$1,649,195	\$1,912,610	\$2,071,024



APPENDIX "L"

INVESTMENTS

In Manitoba, Credit Union Directors have the responsibility of looking after credit union investments. It is generally considered that the Statutory Reserve (for Bad Debts), which cannot be loaned out, should be invested. In addition to this, credit unions wish to keep a percentage of their assets in a liquid position. One way this is done is to invest part of the required statutory reserve in readily negotiable securities of some kind.

Credit Union Directors invest their surplus funds as follows:-

Section 4(d) and (e) of the Credit Unions Act (See Appendix "A") covers this point. A credit union can invest up to 25% of its capital in the paid up shares of: (1) investments and building societies, (2) other credit unions (within the sphere of operation of the investing society), (3) the Co-Operative Credit Society of Manitoba and centrals, (4) in any legal investments authorized by law for trust funds in the Province of Manitoba, (5) in the shares of a co-operative to the extent necessary to become a member.

Investments under (4) are those referred to in "The Trustee Act". This Appendix deals chiefly with such investments.

"The Trustee Act"

According to Section 63 of The Trustee Act, Trustees are at liberty and at their discretion may invest in:-

1. Government of Canada or Government guaranteed bonds or debentures.
2. Province of Manitoba bonds or debentures or the bonds of any other province or guaranteed by any province in Canada.
3. Bonds or debentures issued by any municipality, school district or the governing Board of a hospital district established under the Health Services Act.



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4. Bonds or debentures issued by the Metropolitan Corporation of Greater Winnipeg.

5. Government or other securities guaranteed by the Government of the United Kingdom.

6. Securities which are a registered first charge or mortgage on improved lands held in fee simple (important limitations in Section 63(3)(c) of The Trustee Act).

7. The guaranteed trust certificates of a trust company.

8. The terminable first debentures of a loan company.

9. The first mortgage bond of any company incorporated under the laws of the Dominion of Canada or of any of the provinces of Canada.

For the purposes of this Brief we will omit any comments on Items 5 to 9 inclusive because credit unions are not normally interested in investments of this kind. These items are also subject to certain limitations under The Trustee Act.

Normal Credit Union Investments Under The Trustee Act.

1. Government of Canada bonds are generally considered to be the safest type of investment for trustees. Credit Unions recognize that they produce the lowest rate of coupon interest, but on the other hand, they are most readily saleable. The same is true of guaranteed bonds such as the Canadian National Railways.

2. Provincial bonds have a better coupon interest rate and most of them are considered to be a first-class investment for trust funds. Bonds guaranteed by a province



Appendix "L"

are in a similar category and generally have a slightly higher coupon interest rate. For example, Hydro bonds are generally considered an excellent investment when guaranteed by the Province and frequently carry a slightly higher coupon rate.

3. Bonds or debentures of the Metropolitan Corporation of Greater Winnipeg may have a wider market than most other municipal securities and might, therefore, rate close to provincial or provincial guaranteed securities.

4. Municipal bonds and debentures in Manitoba are considered safe for trust funds providing the issue has been approved by the Municipal and Public Utility Board. School District Debentures are in a similar category. The difficulty with investments of this kind, however, is that they are not always readily convertible into cash. In other words, there is not always a ready market for municipal issues. As a result, the market price may vary considerably.

The latest addition to the list of trustee investment are bonds or debentures issued by the governing Board of a Hospital District established under the Health Services Act. These fall into a category similar to municipal bonds and debentures but generally involve more than one municipality.

Investments in Co-Operative Shares

This investment is permitted only for the purpose of acquiring membership. With many credit unions now occupying permanent premises they have housekeeping costs and expenses. Many credit unions would like to patronize their local co-operative in making such purchases. These investments are not in any sense considered to be a liquid asset. This is one reason why the investment is limited.



Appendix "I."

League and Federation shares would be in a similar category and would not be considered as an investment for trust funds under The Trustees Act, although they are allowable for purchase under the Credit Unions Act.

When looking for investment for credit union funds the Board of Directors keeps in mind three factors:-

1. Its first concern is the safety of the investment.

The Credit Union was established to serve the needs and best interests of the members. If, for example, the society is asked to purchase school debentures for the construction of a badly needed school in the area, or a neighboring municipality, the members might feel that they were providing a community service by purchasing some debentures. The point is, however, that the directors main concern as a trustee is to protect the interests of the member, and his prime concern is not for the construction of the school.

The Board therefore might feel that an investment in Government bonds was the safest course to follow. At the same time, the credit union could provide the money in loans to members who wished to borrow part of the money they would need to purchase debentures. The society could hold the debentures as security against the loan. In this way the credit union would be supporting the school debenture issue, encouraging the members to save, but placing the responsibility for support of the school on the members themselves, where it belongs.

2. Is the proposed investment readily convertible into cash?

Reserves are set aside for two or three purposes. If the proposed investment is to build up a liquid reserve and if the Credit Union is investing its statutory reserve, it will

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Appendix "L"

want to know that it can convert the investment into cash very quickly. For this purpose Dominion or Provincial Government bonds or bonds guaranteed by these governments are more readily negotiable than other bonds or debentures. Municipal issues (including school and hospital districts) do not have as ready market as Dominion or Provincial issues.

A Credit Union cannot depend on carrying the investment through to maturity. Consequently, the question of converting the investment into cash is very important.

3. The cost of the investment and the yield, are the next factors that are considered by the Board when investing credit union funds. Credit Unions consider at least three important factors that affect fluctuations in the bond market:-

- (a) the safety of the repayment of the capital,
- (b) the increase or decrease in interest rates or stock earnings generally,
- (c) the maturity date of the issue.



APPENDIX "M"

TYPES OF SECURITY

"Security" on credit union loans is the 'guarantee' required by the credit union and given by the borrower to assure the credit union against loss in case of default on the part of the borrower in meeting his loan payments.

Promissory Notes

With the exception of real estate mortgages, a note is required for all credit union loans (Act, Section 63 - See Appendix "A"). This note is a promise to pay in accordance with the terms of the note. A note is simply a contract between the credit union and the borrower. The terms and conditions of the contract are binding. If the borrower becomes delinquent the credit union can legally demand payment of the note.

1. Shares and Deposits as Security

A common form of security used in credit union loans is the shares and deposits of the borrower (Act, Section 63(7) - See Appendix "A"). It is common practice for a credit union member to borrow up to the amount of his shares and deposits plus the limit allowed by the Act on the note of the borrower. To be effective as security, shares and deposits must be specifically given as security on the application and note. If shares and deposits are taken as security they are "frozen" and may not be withdrawn except that portion not needed to cover the balance owing on the note. For example: If "A" has \$300.00 in shares and deposits and borrows \$500.00 from the credit union giving his share and deposit account as security he cannot withdraw from his credit union account until the loan has been reduced to less than \$300.00. If he reduces his loan to \$100.00 he could then withdraw \$200.00 from his credit union account but must leave \$100.00 to protect his loan.



Appendix "M"

The shares and deposits of a minor, for whom an account is held in trust, cannot be used as security against the loan of the trustee.

The shares and deposits of a spouse cannot be used as security without the approval of the spouse.

2. Co-Makers or Co-signers.

A co-signer or co-maker on a note is the person responsible for the repayment of the note if the borrower defaults on his payments (Act, Section 63(7) - Appendix "A").

Some credit unions use this type of security very extensively, others find it most unpopular among the members. It is up to the borrower to produce the co-signer if that is the kind of security he is offering for the loan. Sometimes the signature of the wife of a borrower is accepted as security on her husband's note. The theory behind this is that the wife realizes fully the commitment her husband has made. Since wives handle the spending of a good part of the family income she would realize the need for saving and would help to see that the loan was retired as quickly as possible. Sometimes it can be dangerous practice for a husband to borrow money without his wife's knowledge of the obligations involved because of the effect it will have on the family budget.

The first consideration in making a loan with co-signers as security is still the ability of the borrower to repay. Secondly, the ability of the co-signer to pay if the borrower defaults. Thirdly, the likelihood of collecting without taking legal action.

A co-signer might also pledge his shares and deposits as security against default but this is not necessary unless required by the Credit Committee. Under Section 45(2) of the Act, a co-signers share and deposits may be frozen by the credit union if the borrower becomes delinquent.



Appendix "M"

A co-maker does not have to be a member of the credit union but the Credit Committee takes reasonable precautions to see that he is a responsible person.

3. Payroll Deduction and Wage Assignment

Industrial credit unions - particularly those having the wholehearted support of management - sometimes have a payroll deduction system operating. Under this system the credit union member authorizes his employer to deduct a set amount from his wages each payday. The Company will then turn the amounts over to the credit union where it is credited to the member's account.

Wage assignments are a good form of security for a loan. If a borrower offers an assignment of wages when he applies for a loan, the loan is not usually granted until the Credit Committee is satisfied that the assignment will be honoured by the employer. A wage assignment is, in effect, an agreement between the employer and the employee to pay over to the credit union (if the employee's loan becomes delinquent) some part or all of his wages or salary until the loan is paid up. The credit union would have to notify the employer promptly in case of delinquency, particularly, if the member ceased to be an employee.

4. Chattel Mortgages

A chattel mortgage is a mortgage on personal property.

This is a common and very useful form of security in many credit unions. A chattel mortgage does not replace a note but is supplementary to a note. A chattel mortgage is a legal document and to be of any value it must be legally correct.



Appendix "M"

A chattel mortgage must be registered within thirty days after it is completed to be effective against third parties. The Credit Committee may grant a loan with a chattel mortgage as security but the Committee also instructs the manager to either register or not register the chattel mortgage depending on whether or not they feel it necessary.

Insurance is also available against the non-registration of chattel mortgages. The effect of this insurance is to protect the credit unions in the same way they would be protected by registration.

The Credit Committee makes certain that adequate insurance is carried on chattels covered by a mortgage if such insurance is possible. The policy is made payable to the credit union, particularly if the chattel happens to be a car or truck where fire or accident could remove or seriously impair the value of the security.

A chattel mortgage registration expires in three years and lapses unless it is renewed within thirty days before the expiry date.

5. Real Estate Mortgage Loans.

A note is not necessary but may be taken along with a real estate mortgage. Large loans for the purchase of real estate or the construction or improvement of homes are not usually considered to be a field in which credit unions operate until the small loan field has been well covered. Credit unions were intended to provide services in a field where borrowing costs are high with a view to reducing these costs. This applies particularly to the small short-term loans and to deferred payment plans.

However, some credit unions do have surplus funds



Appendix "M"

which can be used to provide a service to members in the real estate loan field. This type of loan is usually kept within 25% of the total assets of the society. When considering real estate mortgage loans, consideration is given to the following headings:-

1. Real estate mortgages should be properly prepared by a lawyer.
2. Sixty or seventy percent of a fair value of the property is the maximum amount of loan usually given.
3. The payments should be within the borrower's ability to pay with some margin of safety in case of an economic setback.
4. The interest rate should be competitive.
5. Can the credit union afford to tie up large amounts of money for a long term? If not, the amount is kept down and the term short.
6. The Credit Committee should make sure that the property is adequately covered by insurance and the policy made payable to the credit union in case of loss.

6. Assignments or Lodging of Documents or Securities.

Members frequently apply for a credit union loan and offer as security common stock, municipal or school debentures, clear title to property, cash surrender value of life insurance policies, Government or industrial bonds or some such type of security. These may be given on an assignment or simply lodged with the Credit Union as an assurance of good faith in repayment of the loan.

There are many variations of this type of security all of which may be good security in the minds of the Credit Committee.



Appendix "M"

The cash surrender value of life insurance policies have no real value as security unless assigned to the credit union. The same applies to registered bonds.

The Credit Committee occasionally runs into cases where security offered cannot be transferred or assigned to the credit union or cannot be released to a credit union in case of default. This is generally the case with members' equity in a co-operative, some Dominion Government Savings Bonds, and to a few types of insurance policies.

7. Conditional Sales Agreement.

A few credit unions use this form of collateral security to a note. In such cases the vendor is the member of the credit union who requires a financing arrangement and agrees to assign his interest, in the sale of an article which has been purchased from him, to the credit union as security for a loan made to him by the credit union.

For example: "A", the vendor, is a credit union member and has borrowed from the credit union to finance his business. "A" sells an electric refrigerator to "B". "B" makes a down payment of \$50.00 to "A" and agrees to pay the balance of \$300.00 at the rate of \$30.00 per month. "A" assigns the note over to the credit union and "B" then makes his payments directly to the credit union. Such payments plus the interest are credited to "A's" loan account in the credit union.

In transactions of this kind the credit union must make certain that the note and the agreement between "A" and "B" are properly prepared.

The cash surrender value of life insurance policies have no real value as security unless assigned to the credit union. The same applies to registered bonds.

Cases where security offered cannot be transferred or assigned to the credit union or cannot be released to a credit union in case of default. This is especially the case with members' equity in a co-operative, some housing Government Savings Bonds, and to a few types of insurance policies.

A few credit unions are this sort of organization. security to a note. In such cases the value of the security of the credit union who requires a financing arrangement and agrees to assign his interest in the sale of an article which has been purchased from him to the credit union as security for a loan made to him by the credit union. For example: "A", the owner, is a credit union member and has borrowed from the credit union to finance his business. "A" sells an electric refrigerator to "B". "B" makes a down payment of \$200.00 to "A" and agrees to pay the balance of \$300.00 at the rate of \$30.00 per month. "A" assigns the note over to the credit union and "B" then makes his payments directly to the credit union. Such payments plus the interest are credited to "A's" loan account in the credit union.

In transactions of this kind the credit union must make certain that the note and the assignment between "A" and "B" are properly prepared.



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OFFICIALS

AS AT MAY 31st, 1961

Minister: Hon. George Hutton,
Legislative Buildings,
Winnipeg 1, Manitoba.

Deputy Minister: Dr. J. R. Bell,
Legislative Buildings,
Winnipeg 1, Manitoba.

Director of Co-operative Services:
Office and Mailing Address: R. D. Chase,
710 Norquay Bldg.,
Winnipeg 1, Manitoba.

Chief Supervisor of Credit Unions:
Office and Mailing Address: P. A. Frossais,
710 Norquay Bldg.,
Winnipeg 1, Manitoba.

Supervisors of Credit Unions: J. A. Rolfe
F. J. C. Lane
R. W. Banks
J. Benfield

Office and Mailing Address: 710 Norquay Building,
Winnipeg 1, Manitoba.

.....

Compiled by:

P. A. Frossais,
Chief Supervisor of Credit Unions.



AT MAY 21st, 1901

Dr. A. W. Hall,
Secretary of the
Board of Directors

Deputy Minister

R. C. Adams

Director of Cooperative Service

W. A. Brown,
Vice President

Chief Supervisor of Credit
Office and Finance

J. A. Baker,
R. H. Baker,
J. Baker

Supervisors of Credit Office

W. A. Brown,
Vice President

Office and Finance

Compiled by



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YEAR'S OPERATIONS

Number of Credit Unions: In 1960 there were 15 new charters issued, bringing the total number of credit unions chartered since inception in 1937 to 301.

In 1960, four credit union charters were cancelled and there were four credit unions inactive.

At the end of 1960 the credit unions are classified as follows:

<u>Active:</u>	Associational	57
	Occupational	82
	Community: Urban	8
	Rural	89
		<u>236</u>

<u>Inactive:</u>	Occupational	4
------------------	------------------------	---

<u>Cancelled since inception</u>	<u>61</u>
--	-----------

<u>Total Chartered</u>	<u>301</u>
----------------------------------	------------

Associational credit unions represent members of co-operative associations, religious groups, labour unions. Occupational credit unions comprise employees of commercial or industrial enterprises, government service, etc. Community credit unions are made up of people living in a certain district within a city or in the country and having a common bond of association.



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Balance Sheet: (EXHIBIT "A")

Assets increased by \$7,463,968 or 21.4% compared to \$7,146,513 or 25.7% in 1959.

The increase in loans outstanding was \$6,200,116 or 21.3%; in 1959 it was \$6,513,454 or 24.4%.

Share capital increased by \$5,868,535 or 22.9% compared to \$5,024,967 or 24.4%.

The increase in deposits amounted to \$736,503 or 14.7%. In 1959 it was \$701,006 or 11.6%.

Total savings (shares plus deposits) increased by \$6,605,038 or 21.6%. Last year the savings increased by \$5,725,973 or 23%.

Liabilities to non-members went up by \$192,958. In 1959 they increased by \$956,864.

Investments were up \$314,545 compared to \$468,046 in 1959.

Buildings and equipment increased substantially, some credit unions moving into their own quarters.

Income and Expenses: (EXHIBIT "B")

Interest from loans shows an increase of \$615,955 compared to \$499,152 in the previous year.

Returns to the members as interest on shares, interest on deposits, and rebates increased by \$245,828. In 1959 the figure was \$197,370.

The increase in other expenses was \$264,594, while in 1959 it was \$244,643.

Statistics: (SCHEDULE "I")

The number of members increased by \$9,203 or 11%. The increase in 1959 was about the same, 9,200, but the percentage was 12.4%.

Loans granted in 1960 were \$4,831,529 more than in 1959, an increase of 18.5%. In 1959 the increase had been \$5,830,458 or 28.7% over 1958.

Loans written off after deducting loans recovered amounted to \$35,296 compared to \$71,881 in 1959.

Average savings (shares plus deposits) per member increased by \$34.82. In 1959 it had increased by \$31.60. The average equity of members in total assets increased by \$38.99. If the liabilities to non-members are deducted the average equity in the remaining assets would be \$434.30.



Loan Classification: (SCHEDULE "9")

Based on 231 reports the order of importance in loans granted in 1960 is as follows:

- a) As to the number of loans: 1. Purchase and repairs of automobiles and trucks; 2. Furniture and clothing; 3. Consolidation of debts; 4. Purchase and repairs of land and buildings other than mortgages.
- b) As to the amount of loans: 1. Purchase and repairs of automobiles and trucks; 2. Purchase and repairs of land and buildings other than mortgages; 3. Real Estate mortgage loans; 4. Consolidation of debts.

LEGISLATION

There were no amendments to the Credit Unions Act in 1960.

CO-OPERATIVE SERVICES BRANCH

During 1960 the 236 active credit unions were audited once, and seven of them twice. Three inactive credit unions and one centrale were also audited. There were 247 audits in all. Two credit unions were not audited.

The staff attended: 51 Annual Meetings
2 General Special Meetings
8 Board Meetings
4 Committee Meetings
11 Joint Meetings
7 Other Meetings

and gave bookkeeping assistance in 26 cases.

Four credit unions were suspended. Six suspensions were lifted, leaving two credit unions still under suspension.

The Branch provides free: Bookkeeping Manuals,
Handbook for Credit Unions,
"A Study of Credit Unions" Booklet,
Verification Notices for Supervisory
Committees,
Copies of the By-laws, and
A limited number of copies of the Act.



COMPARATIVE CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31st

EXHIBIT "A"

ASSETS:	1959 226 Reports	1960 236 Reports	Increase Decrease *
Cash on Hand, Bank, Centrals . . .	\$ 2,898,814.99	\$ 3,724,582.26	\$ 825,767.27
Loans Outstanding: Personal . . .	21,071,905.36	25,231,756.73	4,159,851.37
Estate . . .	727,782.19	891,046.94	163,264.75
Real Estate . .	7,279,706.57	9,156,706.09	1,876,999.52
Investments:	2,341,792.58	2,656,337.30	314,544.72
Land & Buildings less Depreciation	354,950.35	439,821.73	84,871.38
Furniture & Fixtures less Depreciation	109,407.60	139,897.95	30,490.35
Other Assets	130,329.25	138,507.93	8,178.68
TOTAL ASSETS	\$34,914,688.89	\$42,378,656.93	\$ 7,463,968.04
LIABILITIES AND RESERVES:			
Share Capital	\$25,614,870.12	\$31,483,405.01	\$ 5,868,534.89
Deposits	5,023,611.45	5,760,114.65	736,503.20
Other Liabilities	1,959,067.65	2,152,025.21	192,957.56
TOTAL LIABILITIES	\$32,597,549.22	\$39,395,544.87	\$ 6,797,995.65
Reserve Fund	1,069,121.37	1,389,276.67	320,155.30
Other Funds	125,911.25	152,839.45	26,928.20
Undivided Earnings	1,122,107.05	1,440,995.94	318,888.89
TOTAL	\$34,914,688.89	\$42,378,656.93	\$ 7,463,968.04



COMPARATIVE CONSOLIDATED INCOME & EXPENSE ACCOUNT

FOR THE PERIOD JANUARY 1st TO DECEMBER 31st

EXHIBIT "B"

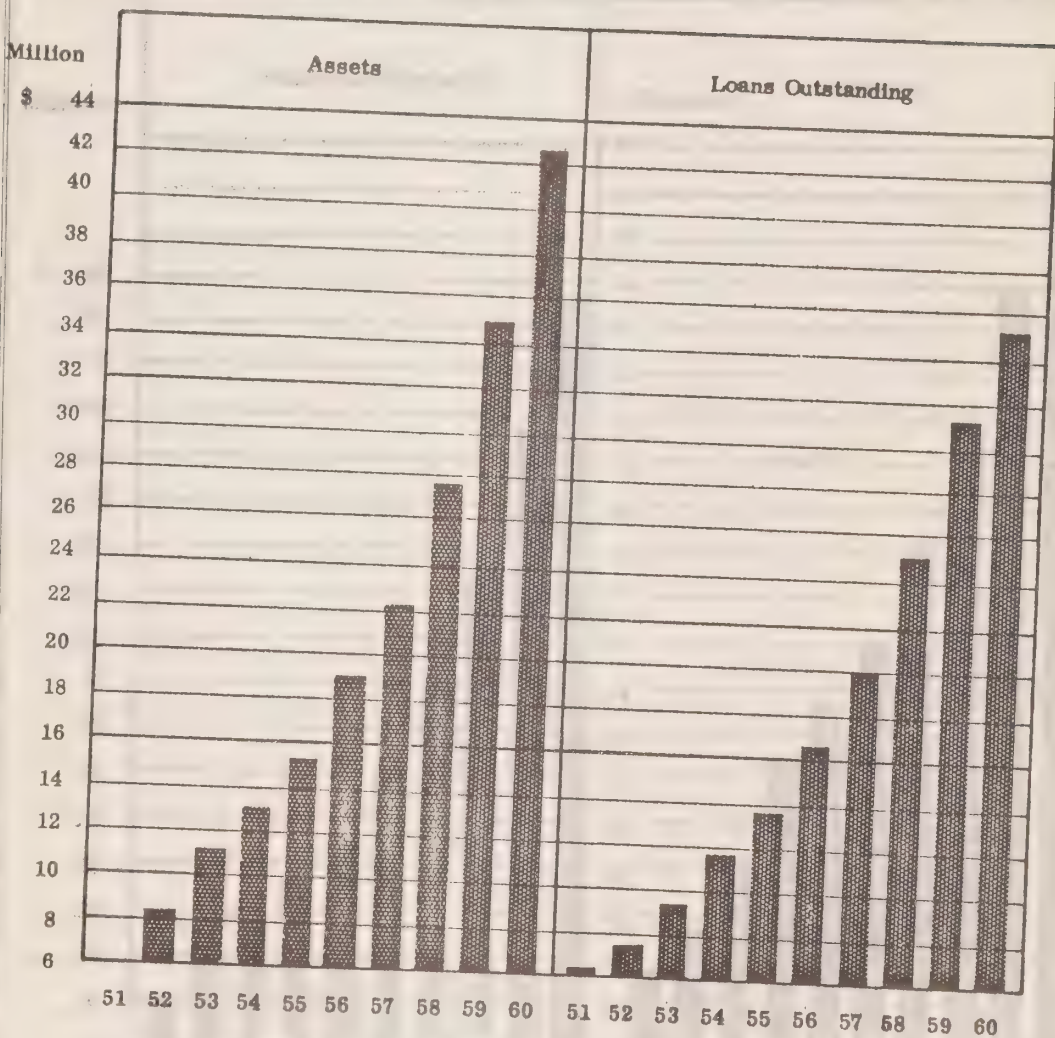
<u>INCOME:</u>	<u>1959</u> <u>226 Reports</u>	<u>1960</u> <u>236 Reports</u>	<u>Increase</u> <u>Decrease *</u>
Balance Undivided Earnings Jan. 1st	\$ 875,072.46	\$ 1,126,210.78	\$ 251,138.32
Entrance Fees and Fines	4,507.15	4,750.63	243.48
Interest from Loans	2,368,723.43	2,984,678.80	615,955.37
Other Income	186,073.58	238,471.08	52,397.50
TOTAL	<u>\$ 3,434,376.62</u>	<u>\$ 4,354,111.29</u>	<u>\$ 919,734.67</u>
<u>EXPENSES:</u>			
Interest on Shares	\$ 656,683.50	\$ 846,189.77	\$ 189,506.27
Rebate Interest	150,754.08	196,963.32	46,209.24
Interest on Deposits.	70,828.95	80,941.13	10,112.18
Other Expenses	1,142,286.48	1,406,880.34	264,593.86
TOTAL EXPENSES	<u>\$ 2,020,553.01</u>	<u>\$ 2,530,974.56</u>	<u>\$ 510,421.55</u>
<u>TRANSFERS TO:</u>			
Reserve Fund	\$ 276,854.81	\$ 355,290.26	\$ 78,435.45
Other Funds	14,861.75	26,850.53	11,988.78
UNDIVIDED EARNINGS DECEMBER 31st. .	<u>1,122,107.05</u>	<u>1,440,995.94</u>	<u>318,888.89</u>
TOTAL	<u>\$ 3,434,376.62</u>	<u>\$ 4,354,111.29</u>	<u>\$ 919,734.67</u>

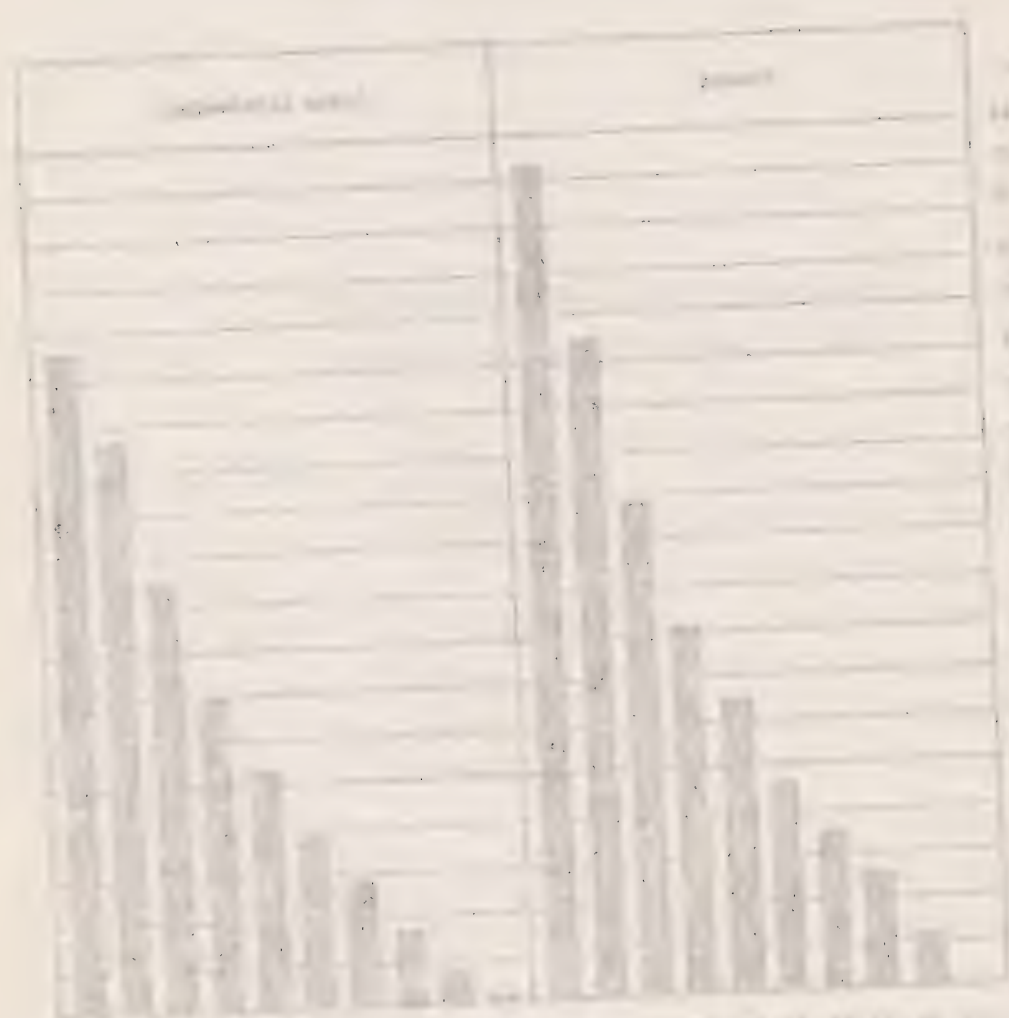


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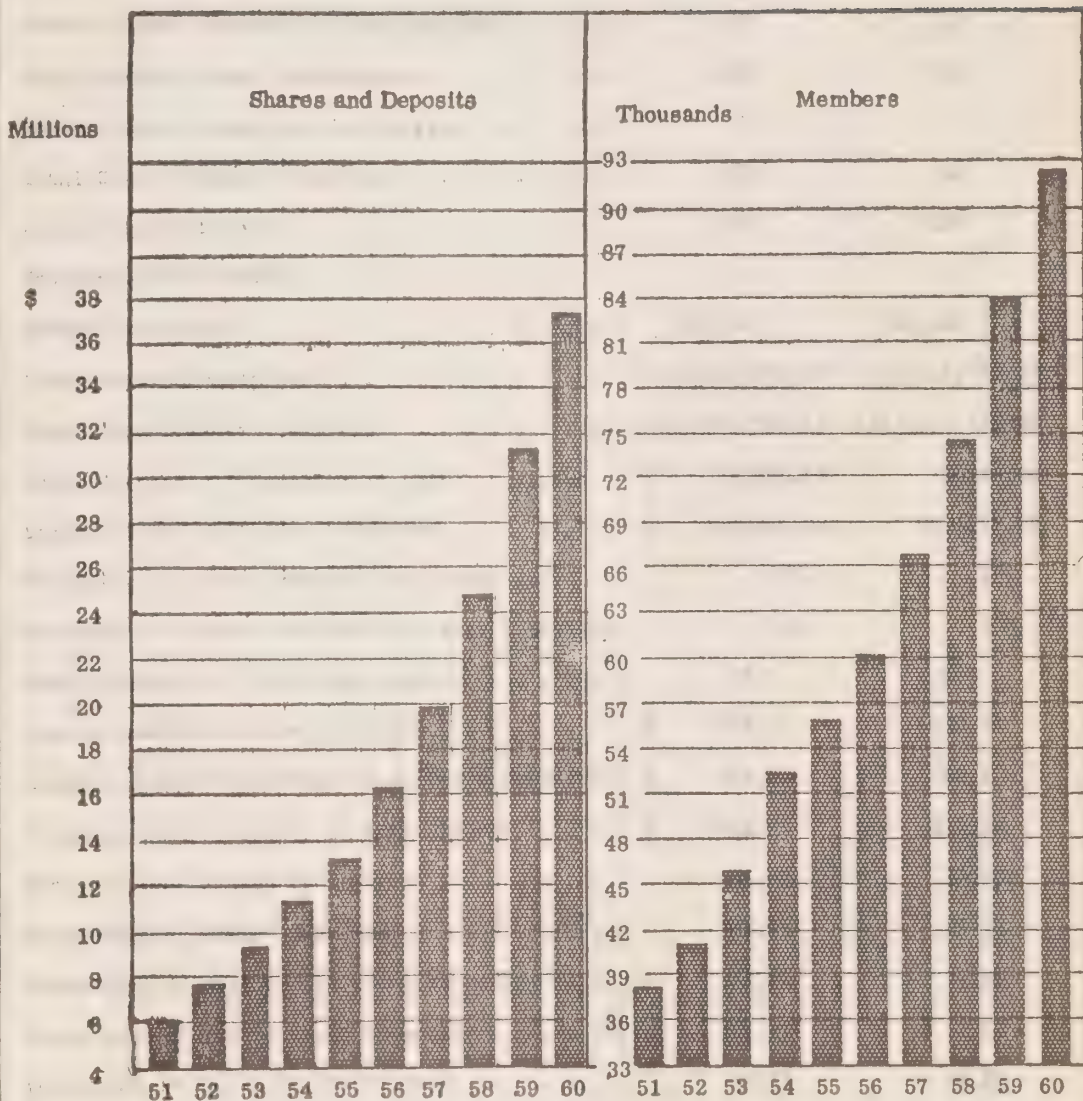
Actual Expected

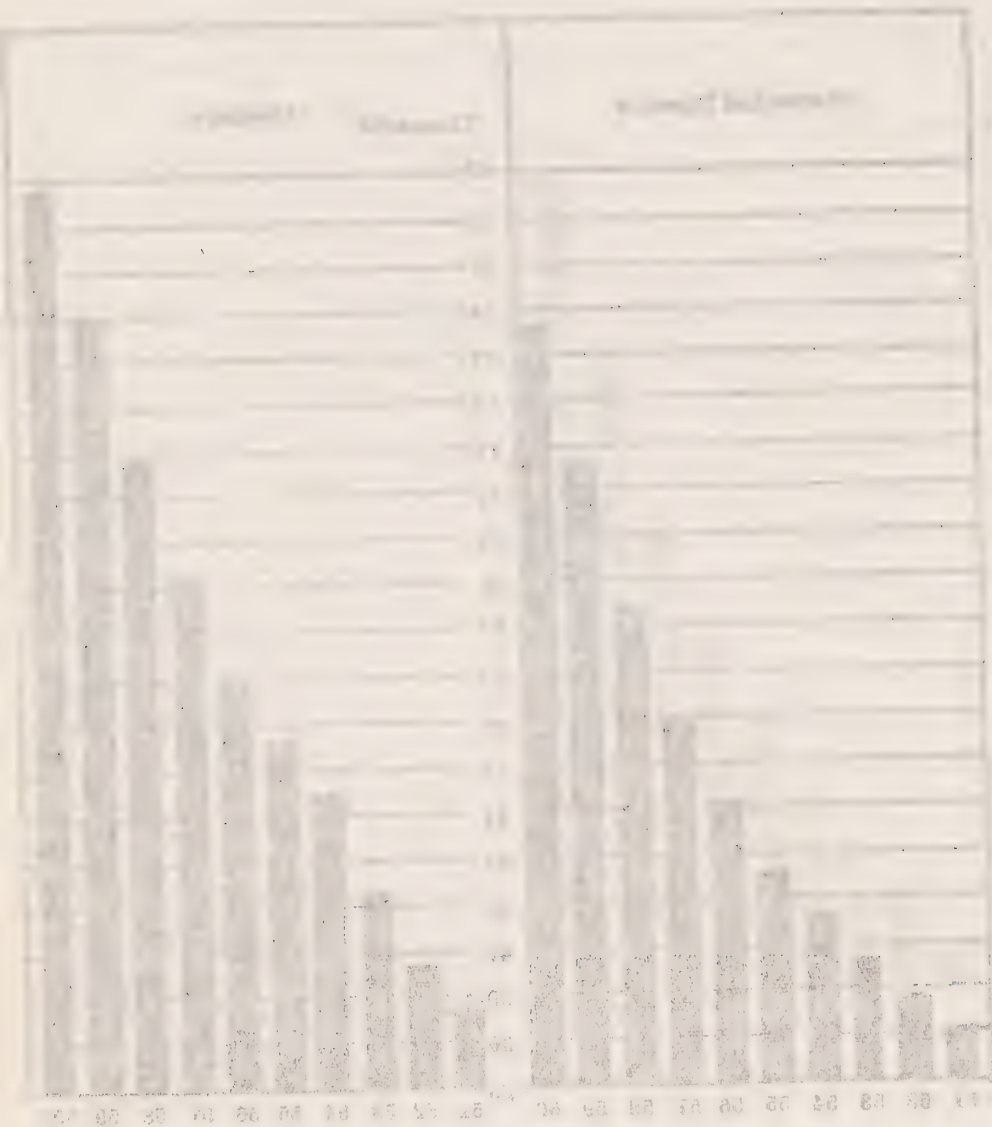


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STATISTICSSCHEDULE "1"

	1959 <u>226 Reports</u>	1960 <u>236 Reports</u>
Credit Unions incorporated during year	10	15
Total Credit Unions incorporated	286	301
Credit Unions dissolved during year	8	4
Total Credit Unions dissolved	57	61
Active Credit Unions	226	236
Inactive Credit Unions	3	4
Number of members	83,419	92,622
Loans issued during year	\$ 26,179,556.20	\$ 30,011,085.07
Loans issued since inception	\$137,709,760.25	\$167,720,845.32
Loans written off during year (net)	\$ 71,861.29	\$ 35,296.36
Loans written off since inception	\$ 326,928.86	\$ 362,225.22
Percentage of loans written off during year . .	.27%	.12%
Percentage of loans written off since inception.	.24%	.22%
Average number of shares per member	61.4	68
Average member's share holdings.	\$ 307.06	\$ 339.91
Average member's holdings in shares & deposits . \$	367.28	\$ 402.10
Average member's equity in total assets \$	418.55	\$ 457.54
Percentage of shares to assets	73.4%	74.3%
Percentage of loans to assets	83.3%	83.2%
Percentage of real estate loans to assets . . .	20.8%	21.7%
Percentage of estate loans to assets	2.1%	2.1%
Percentage of loans to liabilities	89.2%	89.6%
Percentage of liquid assets	15%	15.1%

First credit union incorporated in 1937. Co-operative Credit Society of Manitoba Limited incorporated in 1950. La Caisse Centrale de St. Boniface Credit Union Society Limited incorporated in 1952. Credit Union League of Manitoba incorporated in 1956. Credit Union Federation of Manitoba Limited incorporated in 1960. Inspection of Credit Unions set up in 1943. Co-operative Services Branch set up in 1949.



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CLASSIFICATION OF CREDIT UNIONS

By Total Assets as at December 31

SCHEDULE "2"

	<u>1959</u>	<u>1960</u>
To \$10,000	55	48
10,001 to \$ 30,000	37	42
30,001 to 50,000	18	22
50,001 to 75,000	24	19
75,001 to 100,000	20	16
100,001 to 300,000	43	51
300,001 to 500,000	12	15
500,001 to 600,000	7	10
600,001 to 800,000	2	3
800,001 to 1,000,000	2	1
1,000,001 to 1,300,000	2	3
1,300,001 to 1,500,000	1	2
1,500,001 to 2,000,000	2	2
Over 2,000,000	<u>1</u>	<u>2</u>
	<u>226</u>	<u>236</u>
Credit Unions with assets less than \$10,000	55	48
Percent	24%	20%
Credit Unions with assets less than \$50,000	110	112
Percent	49%	47%
Credit Unions with assets less than \$100,000	154	147
Percent	68%	62%
Credit Unions with assets less than \$300,000	197	198
Percent	87%	84%
Credit Unions with assets more than \$300,000	29	38
Percent	13%	16%



CLASSIFICATION OF CREDIT UNIONS

By Members as at December 31

SCHEDULE "3"

	1959	1960
To 50 members	17	21
51 to 100 members.	48	41
101 to 200 members.	54	60
201 to 300 members.	35	33
301 to 400 members.	14	18
401 to 500 members.	13	9
501 to 600 members.	8	10
601 to 800 members.	11	15
801 to 1,000 members.	7	7
1,001 to 1,200 members.	6	8
1,201 to 1,600 members.	5	4
1,601 to 2,000 members.	1	3
2,001 to 2,500 members.	2	3
Over 2,500 members	5	4
	<u>226</u>	<u>236</u>
Credit Unions having less than 100 members	65	62
Percent	29%	26%
Credit Unions having less than 200 members	119	122
Percent	53%	52%
Credit Unions having less than 300 members	154	155
Percent	68%	66%
Credit Unions having less than 500 members	181	182
Percent	80%	77%
Credit Unions having more than 500 members	45	54
Percent	20%	23%
Credit Unions having more than 1,000 members.	19	22
Percent	8%	9%

CLASSIFICATION OF CREDIT UNIONS

SCHEMATIC

IN MEMBERSHIP AS OF DECEMBER 31

10	10	10 to 20 members
20	20	21 to 100 members
30	30	101 to 200 members
40	40	201 to 300 members
50	50	301 to 400 members
60	60	401 to 500 members
70	70	501 to 600 members
80	80	601 to 800 members
90	90	801 to 1,000 members
100	100	1,001 to 1,500 members
110	110	1,501 to 2,000 members
120	120	Over 2,000 members
130	130	
140	140	Credit Unions having less than 100 members
150	150	100 to 200 members
160	160	201 to 300 members
170	170	301 to 400 members
180	180	401 to 500 members
190	190	501 to 600 members
200	200	601 to 800 members
210	210	801 to 1,000 members
220	220	1,001 to 1,500 members
230	230	1,501 to 2,000 members
240	240	Over 2,000 members



MEMBERSHIP GROWTH IN LAST 10 YEARS SCHEDULE "4"

Year	Total Membership	Increase
1951	37,706	2,287
1952	41,277	3,571
1953	46,467	5,190
1954	52,250	7,783
1955	56,194	3,944
1956	60,515	4,321
1957	67,190	6,675
1958	74,219	7,029
1959	83,419	9,200
1960	92,622	9,203

OUTSTANDING LOANS FOR LAST 10 YEARS SCHEDULE "5"

<u>Year</u>	<u>Loans Outstanding</u>	<u>Percent of Total Assets</u>	<u>Increase</u>
1951 . . .	\$ 4,670,960.01	70	\$ 486,899.48
1952 . . .	6,053,988.70	72	1,383,028.69
1953 . . .	8,688,852.26	79	2,634,863.56
1954 . . .	10,574,441.81	80	1,883,589.55
1955 . . .	12,270,664.08	80	1,696,222.27
1956 . . .	15,088,112.95	81	2,817,448.87
1957 . . .	18,310,747.98	82	3,222,635.03
1958 . . .	22,563,940.18	81	4,255,192.20
1959 . . .	27,079,394.12	83	4,513,453.94
1960 . . .	35,279,509.76	83	8,200,115.64



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ASSETS FOR LAST 10 YEARS

SCHEDULE "6"

<u>Year</u>	<u>Amount</u>	<u>Increase</u>
1951	\$ 6,635,283.65	\$ 1,014,401.93
1952	8,402,710.51	1,767,426.86
1953	11,038,963.64	2,636,253.13
1954	13,193,153.11	2,154,189.47
1955	15,317,229.23	2,124,076.12
1956	18,741,087.32	3,423,858.09
1957	22,439,496.58	3,698,409.26
1958	27,768,176.38	5,328,679.80
1959	34,914,688.89	7,146,512.51
1960	42,378,656.93	7,463,968.04

SHARES PLUS DEPOSITS FOR LAST 10 YEARS

SCHEDULE "7"

<u>Year</u>	<u>Amount</u>	<u>Increase</u>
1951	\$ 6,140,625.98	943,842.69
1952	7,697,963.88	1,557,337.90
1953	9,485,605.91	1,787,642.03
1954	11,584,014.94	2,098,409.03
1955	13,474,189.95	1,890,175.01
1956	16,487,222.75	3,013,032.80
1957	19,898,345.53	3,411,122.78
1958	24,912,508.48	5,014,162.95
1959	30,638,481.57	5,725,973.09
1960	37,243,519.66	6,605,038.09



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INTEREST RATES

SCHEDULE "8"

Interest Paid in 1960:

Interest on Shares:

Rate %

No. of C. U.

1	1
1 1/2	1
2 1/2	3
3	42
3 1/4	1
3 1/2	29
3 3/4	1
3 4/5	1
4	84
4 1/4	5
4 1/2	31
4 4/5	1
5	15

Interest on Deposits:

Rate %

No. of C. U.

1/2	1
1	20
1 1/2	9
2	44
2 1/2	20
2 3/4	7
3	28
3 1/4	2
3 1/2	2

Rebate Interest:

Rate %

No. of C. U.

To	5	17
6 to	10	38
11 to	15	20
16 to	20	24
	23	1
	25	4
	27	1
	30	1
	33 1/3	1
4 and	5	1
5 and	10	1



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Interest Charged in 1960:

On Personal Loans:

Rate %

No. of C. U.

5 1/2

1

6

1

6 1/2

1

7

6

8

25

8 1/2

2

8 4/5

1

9

15

10

10

12

159

5 & 6

1

4 1/4 & 9

1

5 1/2 & 7

1

6 & 8

2

6 & 12

1

7 & 8

1

7 & 9

1

7 & 12

1

7, 8 & 12

1

8 & 12

3

On Real Estate

Mortgage Loans:

5

1

6

23

6 1/2

4

7

27

7 1/2

4

8

21

8 1/2

1

8 4/5

1

9

6

12

8

5 & 6

1

6 & 6 1/2

1

6 & 7

1

6 & 9

1

7 & 7 1/2

1

7 & 12

1

10 & 12

1

On Estate Loans:

1

1

1 1/2

2

1 3/5

3

2

1

5 1/2

1

6

35

6 1/2

1

6 3/5

1

7

17

7 1/2

1

8

3

9

4

12

2



Most common rates paid in 1960:

On Shares: 3, 3 1/2, 4, 4 1/2

On Deposits: 2 and 3

As Rebates: 6 to 10
11 to 15
16 to 20

Most common rates charged in 1960:

Personal Loans: 8, 9 and 12

Real Estate
Mortgage Loans: 6, 7 and 8

Estate Loans: 6 and 7

Other loans to churches, co-operatives, etc. varied between 5 1/2 and 8%.



Nethercut & Young

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CLASSIFICATION OF LOANS FOR THE YEAR 1960

SCHEDULE "9"

From 231 Credit Unions.

<u>PURPOSE:</u>	<u>No. of Loans made</u>	<u>Amount Loaned</u>
1. Farm Machinery and Repairs	1,350	\$ 999,209.45
2. Purchase of Livestock	709	417,605.10
3. Seed Grain and Seeding Supplies.	377	152,334.42
4. Harvest and Threshing	167	59,294.00
5. Other Farm Expenses including Wages.	1,803	888,600.79
6. Real Estate Mortgage Loans	1,253	4,513,920.24
7. Land and Buildings (Purchase and Repairs other than Mortgage Loans)	5,791	5,068,086.17
8. Estate Loans	415	396,669.40
9. Automobiles and Trucks - Purchase and Repairs	8,040	6,839,034.75
10. Furniture and Clothing	6,650	1,780,640.32
11. Insurance - Life, Fire, etc.	858	163,350.52
12. Taxes	1,058	262,122.49
13. Investments - Bonds, Debentures, etc.	267	180,053.32
14. Hospital, Medical, Dental	1,366	250,228.41
15. Educational	655	185,413.39
16. Vacation	3,215	678,901.17
17. Loans to Co-operatives	87	155,623.32
18. Business Operations (Merchandise, etc. but not debts and buildings)	1,052	1,335,367.56
19. Consolidation of Debts	6,445	3,876,669.77
20. Miscellaneous.	6,718	649,555.26
TOTALS . .	48,276	\$29,852,679.85



STATE OF TEXAS
COUNTY OF DALLAS

PURPOSES:		No. of loans made	Amount loaned
1. Farm Machinery and Repairs	1,730	2	229,309.47
2. Purchase of Livestock	704		417,008.19
3. Seed Grain and Seeding Supplies	377		121,336.42
4. Harvest and Threshing	707		39,296.00
5. Other Farm Expenses including Wages	1,403		888,601.79
6. Real Estate Mortgages Loans	1,123		4,213,920.24
7. Land and Buildings (Purchase and Repairs)			
8. Retail Loans	412		396,669.46
9. Automobiles and Trucks - Purchase and Repairs	8,040		6,636,036.72
10. Furniture and Clothing	6,629		1,780,640.32
11. Insurance - Life, Fire, etc.	826		161,350.22
12. Investments - Bonds, Debentures, etc.	503		180,557.72
13. Hospital, Medical, Dental	1,366		280,788.41
14. Educational	622		182,413.19
15. Vacation	3,212		670,901.17
16. Loans to Co-operatives	87		122,612.32
17. Business Operations (Merchandise, etc. but not debts and buildings)	1,072		1,332,367.26
18. Consolidation of Debts	6,442		3,876,966.77
19. Miscellaneous	6,719		649,222.26
TOTALS	48,726		22,927,678.62

DECEMBER 31st, 1960.

(NOTE: Under Income and Expenses transfers, loans cancelled and recovered, share dividends, rebate interest not included.)

Credit Union	Loans		Assets	Shares	Deposits	Reserve Fund	Income	Expenses	Members	Loans Since Inception
	Personal	Mortgage								
1. St. Malo	67,431	61,045	213,810	98,609	99,133	3,206	11,638	8,059	649	1,637,696
2. Morwood	430,469	18,735	508,951	448,163	110	23,028	53,985	18,328	1,069	2,282,640
3. Commercial Telag.	425,433	149,535	599,853	500,851	16,601	23,492	52,105	31,227	988	2,567,183
4. Pool	145,980	115,439	307,120	261,857	19,443	14,943	19,267	6,086	539	1,618,833
5. Lorette	84,372	116,286	234,069	150,826	34,464	5,968	16,665	7,917	355	664,409
6. St. Pierre	58,004	124,731	239,261	201,477	16,055	13,352	1,214	6,129	515	1,050,018
7. St. Alphonsus	106,160	90,080	255,411	209,023	19,674	17,527	19,049	7,876	589	1,228,314
8. St. Boniface	375,067	-	566,839	355,305	110,502	13,049	44,740	21,221	1,625	2,056,219
9. Love Farm	169,165	-	261,134	121,210	126,651	7,573	15,560	10,736	449	1,520,143
10. La Broquerie	115,618	22,851	159,158	87,459	28,921	5,196	9,701	6,168	488	1,233,983
11. St. Joseph	71,818	16,079	96,912	58,601	13,937	2,132	5,011	2,922	184	285,525
12. St. Leon	11,342	-	14,049	7,172	5,866	673	964	454	144	115,641
13. Belg. S. Heart's	124,599	400,844	596,700	80,684	500,754	7,043	36,842	26,368	1,011	1,396,211
14. Crestview	2,260	-	6,143	5,055	-	715	656	228	64	61,823
16. Altona	787,597	187,361	1,140,580	623,423	435,373	25,573	76,552	43,031	2,263	3,045,837
18. Ste. Anne des Chenees	75,463	132,287	268,239	116,846	109,066	5,171	12,779	10,744	554	921,328
19. Ste. Elizabeth	-	-	-	-	1,874	642	1,123	700	62	130,121
20. Burns Wpg. Empla.	16,646	-	19,440	15,036	246	33,128	38,740	7,611	482	2,957,744
21. Flin Flon	279,704	210,355	556,433	493,705	7,545	31,584	85,319	31,019	1,251	2,966,980
22. Carpathia	230,150	504,255	1,000,951	841,821	369,865	54,083	252,631	39,579	2,024	4,994,548
24. Rosemont	119,365	1,154,027	1,678,372	1,198,285	66,189	4,472	11,203	6,125	676	804,353
26. Abbe	102,090	85,885	165,026	90,409	12,528	8,920	14,915	5,920	403	836,413
27. Starbuck	194,769	820	220,340	191,143	128,224	22,231	25,040	10,817	591	1,453,215
28. Virden	428,559	161,943	358,654	176,676	-	17,402	44,431	17,499	1,051	2,651,417
29. Dauphin Plains	506,847	413,799	1,060,294	816,464	113,314	17,994	86,247	46,847	1,717	3,497,342
30. Winkler	1,108,285	907,790	2,492,044	1,769,662	569,287	59,049	173,045	74,049	3,167	9,164,565
31. Spruce Creek	91,346	52,469	168,043	118,399	742	8,466	16,815	7,269	263	616,876
32. Lourdes	51,698	206,451	592,994	147,845	417,477	10,284	25,877	16,690	641	894,691
33. St. Jean-Baptiste	103,597	218,136	388,024	314,204	35,831	12,973	21,125	10,327	606	1,311,923
34. St. Adolphe	13,512	59,703	104,367	48,244	52,069	2,490	5,462	3,611	275	319,541
36. Steinfach	1,887,224	392,484	2,869,121	2,110,360	538,298	95,517	163,495	64,547	3,637	15,235,541
37. Waseana	30,517	9,181	46,830	34,266	-	1,626	3,482	2,383	230	281,064
38. Haywood	24,432	32,928	86,263	46,850	35,720	1,746	4,650	2,590	271	474,408



	Credit Union	Loans			Deposits	Reserve Fund		Expenses	Members	Loans Since Inception
		Personal	Mortgage	Assets		Income	Income			
39.	Solegarth	130,753		151,796	28,683	7,663	12,183	5,473	208	673,202
40.	Selkirk	35,137	28,661	71,337		2,090	6,702	3,637	246	380,895
41.	Laurier	108,523		112,531	19,105	4,050	6,141	2,865	316	626,791
43.	Roblin	256,683	71,667	402,146	12,894	12,712	27,182	15,292	693	1,370,146
44.	Winnipeg Terminal	1,360,359		1,436,354	6,477	65,214	150,985	75,449	3,251	5,637,410
45.	St. Francois-Xavier	19,849		23,448	1,125	1,172	1,622	888	171	135,081
46.	Plum Coulee	146,366		206,650	100,387	3,485	13,048	8,598	683	943,309
47.	Cartwright	32,059	750	62,788		1,978	837	197	93	156,718
49.	Delaun	33,151	12,727	16,786	3,280	2,533	4,629	1,950	195	366,418
50.	Grunthal	65,647		73,537	17,136	1,870	5,684	3,265	313	419,479
52.	Elie	45,573	56,485	164,232	47,814	3,007	9,937	5,432	361	462,831
53.	Woodworth	31,543	7,486	46,670		1,545	2,831	1,158	134	171,588
56.	Marlappelle	51,467	53,007	155,062	51,941	2,967	7,525	4,742	285	361,874
57.	St. Labre	4,426		6,301	2,792	883	423	335	47	87,076
58.	St. Rose	46,864	40,401	101,505	19,657	2,505	6,203	3,454	344	376,980
59.	Holy Cross	632,624	24,831	704,292	27,304	26,085	62,089	28,351	1,120	2,151,710
60.	Grandview	111,194	8,861	126,529	2,752	2,128	8,859	5,132	337	510,744
61.	St. Norbert	23,996	35,469	65,008	1,813	1,519	4,698	1,802	230	241,590
62.	St. Agathe	49,952	44,721	140,618	46,839	3,321	8,494	4,507	323	441,314
63.	Assiniboine	1,226,611	443,302	1,928,666	22,829	78,317	174,805	75,287	3,952	11,162,207
65.	Civic Employees	207,810	166,551	462,506	5,777	17,411	34,962	14,497	1,176	1,872,937
68.	Graysville	27,229		35,691	5,416	1,147	1,968	741	124	104,084
69.	Richer	43,810		46,804	15,813	1,253	3,264	1,840	178	266,670
71.	Brandon United	242,068	55,964	312,634	662	9,908	22,647	10,731	515	1,262,808
72.	Adanac	368,547	3,552	404,910	657	18,377	42,627	19,788	1,123	1,662,077
73.	Dunrea	15,239	23,911	49,635	19,044	3,250	2,935	1,357	144	384,460
76.	North Winnipeg	40,668	212,922	303,549	146,156	2,170	15,639	10,676	402	552,840
76.	Gretna	268,383	115,178	563,843	230,651	11,786	36,730	20,773	916	2,193,687
77.	Treherne	30,097	3,240	45,901		1,038	2,772	1,104	136	110,864
78.	Halbetadt	117,216	32,987	191,414	79,186	4,097	13,189	8,918	443	893,168
80.	South Junction	11,559		21,417	3,138	1,281	1,771	958	118	121,243
82.	Poplar Heights	24,373	3,669	25,129	3,721	1,112	2,461	1,183	118	120,428
83.	Portage	222,588		232,197	16,398	3,901	20,720	12,397	663	622,583
91.	St. George	22,384	18,806	55,917	10,533	3,078	12,960	8,135	216	241,047
92.	Strathclair	116,959	43,179	191,755	48,159	5,353	12,699	43,529	446	1,198,259
94.	Croftown	853,145	265,961	1,414,485	192,693	39,646	79,659	24,262	1,815	6,134,741
95.	Airline	675,904	476	828,744	21,657	329	844	430	47	3,042,617
96.	Minto	7,728	1,712	9,819	173	1,380	2,722	1,370	208	39,900
97.	St. Amelle	34,518	1,000	45,400	7,132	16,529	38,817	18,149	751	145,593
98.	Sifton	179,129	304,568	599,370	31,161					1,802,386



Credit Union	Loans		Reserve Fund	Income	Expenses	Members	Loans Since Inception
	Personal	Mortgage					
	Assets	Shares	Deposits				
101. St. Eugene	38,206	27,094	539	4,309	2,035	132	153,414
102. Ile de Chene	61,309	114,436	33,072	8,726	5,177	256	523,626
104. Poplarfield	9,863	73,749	2,694	4,085	3,974	237	312,014
105. Letellier	65,632	79,537	33,815	6,159	4,014	216	379,793
106. M.C.V. Empls.	62,943	56,003	4,108	3,557	5,112	164	462,041
107. Meadows	4,775	4,948	708	298	181	34	25,219
108. Otterburne	29,916	42,929	29,358	4,766	2,689	169	326,916
110. Fisher Branch	734	3,885	2,451	272	154	147	66,072
112. Swift Canadian Empls.	136,370	264,436	40,589	28,730	11,892	646	2,447,689
113. Oakbank	83,860	77,617	21,233	8,055	2,644	269	423,721
114. Gateway	94,546	84,810	4,306	8,972	3,476	282	739,928
115. Elm Creek	62,786	93,998	3,524	7,186	8,399	318	628,614
116. St. Lazare	27,400	31,384	7,265	1,127	3,127	167	251,462
117. Birtle	20,014	14,731	1,190	2,886	1,530	115	281,292
118. Foxvarren	17,613	42,634	8,225	2,306	1,748	142	210,300
119. Charleswood	19,174	29,207	7,061	2,933	1,816	250	242,598
120. Morden Community	71,631	75,142	1,036	2,176	5,994	431	463,267
122. Minnedosa	86,841	108,970	687	11,398	6,486	684	702,877
123. Ethelbert	63,814	173,781	3,877	10,222	4,580	383	348,462
125. Winnipeg Postal District	212,868	237,685	1,019	24,391	10,830	849	1,270,781
126. Winnipeg Housewives	3,450	2,923	1,048	465	210	33	32,204
127. M.P.C. Empls.	449,203	552,665	11,877	54,325	15,358	1,022	2,014,698
130. C.B. of R.E.	272,329	473,543	11,877	30,667	18,572	1,464	1,485,832
131. Niverville	155,205	303,331	3,450	30,168	10,496	410	1,115,512
132. Gimli	39,251	230,885	28,283	6,080	16,700	177	192,433
133. Arnes	29,973	68,044	421	2,214	2,348	108	126,060
135. Aircrafters	220,387	30,761	632	3,738	1,283	996	1,356,130
136. C.C.I.L.	24,416	184,387	6,235	10,626	12,307	112	230,466
137. Iron Workers	18,070	28,653	2,105	2,770	930	119	165,769
139. Buffalo	226,357	23,711	438	2,035	12,140	718	670,414
140. Bd. of Grain Commissioners	71,107	257,521	-	5,501	9,224	296	587,129
141. Canada Packers	643,714	100,201	2,394	6,281	21,406	1,060	2,804,127
142. Winnipeg City Police	234,925	694,375	-	34,723	26,796	555	981,462
143. Austin	117,670	266,137	-	13,585	10,980	370	479,727
144. Decibel	111,769	199,776	-	4,414	6,695	527	543,045
145. Railwaymen's	102,508	129,915	6,354	13,446	8,496	323	488,232
146. Ft. Rouge Coachyards	25,587	83,432	10,459	12,333	4,744	119	195,935
147. Dnipro	13,508	99,720	5,734	1,220	2,664	204	222,322
148. St. Emile	4,815	31,281	49,196	2,593	2,738	95	23,934
		40,412	17	404	293		
		5,415					

Credit Union	Loans		Assets	Shares	Deposits	Reserve Fund	Income	Expenses	Members	Loans Since Inception
	Personal	Mortgage								
149. Vera	327,414	42,280	407,176	244,972	101,167	13,462	25,546	11,386	618	1,083,203
150. Manitoba Bridge & Engrg.	48,410	-	72,386	58,370	4,189	4,653	5,073	1,802	188	372,351
151. Steel Workers	40,166	13,602	78,551	68,027	4,045	3,312	5,736	2,249	238	338,211
152. Sanford	62,054	-	70,940	61,467	3,511	3,034	5,378	2,210	237	352,239
153. United	298,225	-	309,470	256,469	797	7,796	33,744	19,580	957	1,286,064
154. Manitoba Teachers'	72,260	-	100,555	93,144	-	3,692	7,980	3,063	320	330,338
155. Sprague	241,017	-	234,980	179,049	-	11,028	28,522	14,087	872	940,330
156. Foundry	39,872	15,540	70,403	53,821	10,047	3,059	5,487	1,876	162	264,440
157. Transcona	117,626	-	122,272	99,170	414	4,672	11,654	4,102	286	418,263
158. Onistar	521,736	2,274	575,288	463,550	809	17,737	55,447	24,680	1,431	2,455,067
159. La Riviere	10,090	-	11,442	10,218	505	359	550	134	70	31,923
160. West End	21,744	-	26,930	21,165	10	2,204	1,020	1,020	109	82,646
161. West End	74,399	-	77,942	59,316	-	1,810	7,728	3,761	284	268,873
162. Safeway Empls.	329,464	-	378,580	289,813	-	13,380	36,559	15,361	661	1,294,393
163. St. Michael's	4,151	7,533	33,925	28,839	2,204	1,657	1,959	730	122	112,060
164. Ft. Rouge Railway	72,492	-	86,267	79,812	115	1,942	8,431	3,539	345	474,763
165. United Grain Growers	36,303	27,087	90,030	81,733	-	1,465	6,390	1,867	120	336,827
166. Public Press	28,589	2,676	36,026	32,728	-	2,806	3,371	1,098	106	223,713
167. Holy Ghost	42,720	40,888	105,911	95,917	3,640	5,077	5,604	1,612	303	235,063
168. Brandon Terminal	157,432	-	164,987	113,620	-	623	1,775	6,642	358	432,917
169. Louise	23,849	-	26,235	18,139	-	1,781	3,910	1,300	137	757,857
170. Arborg	36,248	-	54,852	44,277	6,607	1,781	3,910	1,374	224	177,371
171. McCreary	6,210	-	7,559	6,734	434	138	544	259	48	36,446
172. Erickson	41,979	-	46,416	34,404	-	470	2,703	1,176	125	82,860
173. Westeel	44,710	-	60,950	55,245	1,156	1,934	5,435	2,559	175	185,178
174. B. & R. Empls.	7,825	-	8,866	5,117	441	390	831	518	54	84,124
175. Canada Bread	11,898	-	12,508	10,032	-	219	940	678	81	63,620
176. Ogilvie's	12,511	-	16,217	12,438	2,563	676	1,196	548	63	82,549
177. Netherlands	50,776	-	64,831	50,300	224	2,047	6,378	3,136	306	228,861
178. Parbed	7,391	-	8,033	6,223	-	235	795	563	67	60,077
179. Polish Combatants	53,855	31,011	90,266	78,679	1,746	2,119	6,461	3,151	242	237,630
180. La Salle	44,910	17,882	85,106	54,303	11,427	1,407	4,988	3,250	180	185,891
181. Alpha Manufacturing	15,636	-	17,632	13,223	-	804	2,156	1,153	97	107,553
182. Stepe	10,434	-	12,807	9,915	2,036	316	1,137	449	102	41,449
183. Swan Valley	143,435	50,697	199,376	154,389	443	2,817	17,376	8,095	331	518,951
184. C.A.E. Empls.	146,946	-	158,355	135,183	24	5,090	17,723	5,740	393	755,439
185. Rosburn	46,754	-	51,381	34,603	-	1,958	5,093	1,997	184	207,017
186. Bruxelles	11,922	-	14,356	9,600	-	116	300	192	83	26,800
187. St. Ignatius	69,771	15,759	87,285	60,331	4,553	1,324	7,207	4,463	249	237,706
188. Oakburn	50,732	4,011	81,794	77,970	-	1,689	4,552	2,115	179	173,769



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	Credit Union	Loans		Mortgage	Assets	Shares	Deposits	Reserve Fund	Income	Expenses	Members	Loans Since Inception
		Personal	Mortgage									
205.	Turtle Mountain	11,707	-	-	14,081	11,162	22	353	1,111	658	83	56,325
206.	Civilian Empls.	2,344	-	-	3,283	2,636	-	174	439	331	48	36,197
207.	Stovel-Advocate Empls.	30,478	-	-	33,272	30,667	-	897	7,853	1,328	112	161,182
208.	Souris	49,109	-	-	52,440	38,576	3,075	517	3,383	2,478	190	117,261
209.	Kane Equipment Empls.	11,921	-	-	13,089	11,497	-	751	1,428	443	50	71,190
210.	Frances	8,642	-	-	10,101	7,627	26	337	891	466	77	38,902
211.	Pine Falls	94,885	581	-	107,526	84,200	1,760	2,765	9,647	4,308	282	319,945
212.	I.B. Empls.	2,242	-	-	4,447	4,121	-	193	313	156	72	29,958
213.	Stonewall	100,398	-	-	110,079	73,451	324	2,927	8,784	3,797	289	275,507
214.	St. Claude	63,161	222,301	-	371,058	285,107	-	5,080	16,767	7,077	485	507,667
215.	B.M.H. Empls.	44,989	-	-	47,009	36,976	70,394	1,544	4,938	2,040	233	200,444
216.	F. and L.	13,963	-	-	14,235	10,056	-	275	1,453	956	118	38,274
217.	Fleming Pedlar Coldstream	5,040	-	-	6,283	4,738	-	305	704	547	60	44,403
218.	C.B.C. Empls.	71,358	-	-	82,780	65,734	441	2,321	8,170	3,253	335	305,148
219.	Beautiful Plains	46,126	14,199	-	63,496	44,817	51	633	5,068	2,801	217	124,940
220.	St. Augustine Brandon	12,031	5,799	-	18,417	13,799	-	405	1,687	679	83	35,115
222.	Strotco Empls.	4,762	-	-	5,072	4,164	-	145	483	261	40	30,072
224.	Systems Equipment Empls.	3,501	-	-	4,385	4,020	-	152	512	249	40	23,518
225.	Moore Business Forms	13,056	-	-	13,785	10,953	-	426	1,313	674	95	70,755
226.	Weston Bakeries Empls.	52,923	-	-	57,050	41,784	-	2,344	5,678	2,731	186	199,449
229.	Dauphin Terminal	3,780	-	-	3,912	3,315	-	179	510	247	60	17,179
230.	B.G.H. Empls.	9,355	-	-	13,198	12,107	-	331	1,124	449	87	41,996
231.	Projectionist	17,357	-	-	25,741	23,630	-	797	2,336	1,076	75	72,649
232.	Winnipegosis	10,201	-	-	11,997	10,908	678	180	510	237	106	23,381
234.	Eagles	46,779	2,479	-	52,134	49,246	-	908	3,949	1,618	184	98,417
235.	Select	60,882	-	-	76,137	70,662	-	1,929	6,353	2,108	154	189,911
236.	Food Processors	10,750	-	-	12,257	7,831	-	209	1,069	443	59	27,593
237.	Imperial Refinery	15,324	-	-	17,327	15,584	332	698	1,609	766	156	74,703
239.	Immaculate Conception	8,421	-	-	9,244	7,875	-	193	511	299	93	23,880
240.	M.C.I. Empls.	6,599	-	-	8,868	8,447	240	221	711	468	69	35,078
242.	Riverton	3,283	-	-	3,718	2,870	-	60	352	164	34	7,320
244.	Glenella & District	2,205	-	-	4,870	4,649	-	69	236	69	61	14,155
246.	Dauphin Parochial	4,603	-	-	6,118	5,549	-	215	534	139	51	18,272
247.	Manitoba Sugar Empls.	25,041	-	-	27,500	24,862	-	830	3,021	777	79	83,141
248.	Mid-Land	4,085	-	-	5,078	3,667	10	81	444	269	36	14,098
249.	Pine River	157,970	42,257	-	243,406	200,317	700	4,204	21,088	10,925	610	538,036
250.	Building Products	16,596	-	-	18,436	15,256	-	407	1,270	425	95	70,552
251.	Campus	15,583	-	-	17,086	11,773	-	302	1,503	678	126	36,515
252.	South Area	8,664	-	-	11,610	10,191	-	257	1,175	696	144	48,443



Credit Union	Loans		Assets	Shares	Deposits	Reserve Fund	Income			Members	Loans Since Inception
	Personal	Mortgage					Income	Expenses			
253. North Star Refinery	19,185	-	21,665	18,927	-	642	2,364	1,302		125	47,788
256. Christ the King Parish	39,124	-	40,226	30,115	1,936	604	3,305	1,771		171	82,105
257. Carberry	10,947	-	13,165	12,097	-	205	1,165	609		115	31,193
258. Canada Wire & Telco.	1,901	-	2,418	1,698	-	35	154	143		73	5,904
259. Brandon Sun Empl.	4,075	-	4,460	4,155	-	92	420	192		48	13,176
260. Flumas	6,924	-	12,454	12,312	-	61	290	207		85	14,609
261. S.A.E. Empls.	6,350	-	6,302	5,979	-	128	494	275		177	16,287
262. Sacre Coeur Limitee	16,110	-	20,629	19,580	195	255	1,322	617		191	41,408
263. Paper Products Empla.	13,720	-	16,271	11,630	-	200	1,396	855		96	27,438
264. Ingels & District	15,439	-	18,388	16,712	1,175	128	1,421	813		105	21,529
265. W.H.U. Empls.	3,017	-	3,940	3,013	-	73	319	191		67	10,803
266. Progress	57,794	43,510	121,150	75,026	42,345	932	6,048	2,685		232	129,350
267. Ste. Genevieve	7,634	-	8,677	6,973	1,403	109	520	391		136	22,700
268. Hamiota Community	124,323	-	128,159	104,707	-	748	6,736	4,000		312	230,984
269. Glenboro Community	3,638	2,000	6,290	5,956	-	102	354	274		53	15,488
270. Our Lady of Victory	4,652	-	5,532	5,294	-	64	369	225		53	9,090
271. Flour Workers	2,490	-	3,662	1,638	1,907	43	226	130		50	7,413
272. Precieux-Sang	31,042	1,950	41,911	27,053	5,005	321	1,942	1,048		186	59,871
273. Co-operators Savings &	378,444	25,209	427,007	367,154	3,809	4,930	30,162	17,910		1,411	679,756
274. I.H. Empls.	21,403	-	23,689	16,193	-	299	2,244	1,422		146	63,556
275. Astra	240,128	-	262,084	186,301	-	3,351	24,425	14,249		813	609,159
276. Holy Family Parish	5,173	-	6,046	4,474	-	61	468	311		70	8,694
277. Rolling Mill Empla.	27,522	-	28,157	21,671	-	236	1,320	977		228	45,323
278. Ugg. Municipal Hospital	2,981	-	3,278	2,712	-	35	126	87		63	6,035
279. Cornish	5,022	-	5,183	4,011	-	75	476	281		85	15,710
280. Southport	38,648	-	43,311	28,934	-	357	2,842	1,609		250	77,439
281. Christie Brown	3,761	-	4,169	3,254	-	53	337	192		60	12,642
282. Gladstone	3,660	-	3,984	3,746	-	45	210	53		50	6,900
283. Norwood-St. Bon. Can. Legion	21,999	-	23,370	20,124	5	223	1,658	780		145	38,729
284. Aspen	46,964	-	47,232	31,032	-	251	2,203	1,276		165	87,883
285. Holy Eucharist Parish	13,333	-	16,556	14,955	1,070	130	723	221		118	18,325
286. Retail Clerks Local 832	3,461	-	3,569	3,241	-	26	56	40		99	3,935
287. Holy Spirit Parish	14,808	-	28,222	26,369	1,779	137	765	217		226	18,552
288. Wpg. Gen. Hospital Empls.	4,494	-	4,910	3,786	-	42	211	140		96	8,125
289. Brandon Civil Servants	5,029	-	5,944	5,809	-	40	169	82		102	6,750
290. Warren	725	-	859	542	30	11	18	15		42	1,100
292. Bendick Empla.	716	-	818	760	-	7	24	18		22	1,659
293. Amaranth	325	-	470	386	-	6	-	4		25	325
294. Vita and District	2,221	-	2,776	2,620	37	81	32	14		82	2,734
295. Gilbert Plains	125	-	404	266	125	13	-	-		50	125
296. Cypress River	3,785	-	5,212	4,950	85	24	88	33		34	4,515
297. Ste. Marie	5,565	-	890	878	-	9	3	-		25	585
298. Rivers	4,346	-	4,675	3,312	-	46	154	108		149	6,304
299. Faulin Chambers Empla.	94	-	324	247	-	6	1	3		22	120
301. Churchill	200	-	751	740	-	11	-	-		43	200



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APPENDIX "O"

DELOITTE, PENDER, HASKINS & SELLS
CHARTERED ACCOUNTANTS

MONTREAL TORONTO VANCOUVER
WINNIPEG KENNESAWATON LONDON

60 OSBORNE STREET NORTH
WINNIPEG 1, CANADA

January 10, 1962

The President and Directors,
Co-operative Credit Society of Manitoba Limited,
Winnipeg, Manitoba.

We have examined the financial statements of Co-operative Credit Society of
Manitoba Limited listed below:

Balance Sheet as at December 31, 1961	Exhibit A
Statement of Revenue and Expenditure and Surplus for the year ended December 31, 1961	Exhibit B
Statement of Reserve Accounts and Members' Share Accounts	Exhibit C

and have obtained all the information and explanations we have required. Our examination
included a general review of the accounting procedures and such tests of accounting records
and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations
given to us and as shown by the books of the Society the accompanying balance sheet and
related statements are properly drawn up so as to exhibit a true and correct view of the
state of the affairs of the Society as at December 31, 1961 and the results of its
operations for the year ended on that date, in accordance with generally accepted account-
ing principles applied on a basis consistent with that of the preceding year.

All the transactions that have come within our notice have been within the
objects and powers of the Society to the best of our information and belief.

OPERATIONS

The following is a summary in condensed form of the operations for the year ended
December 31, 1961 compared with the operations for the year ended December 31, 1960:



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	December 31, 1961		December 31 1960	%
Revenue:				
Interest earned:				
Loans to credit unions	\$117,081	92.1	\$100,970	94.5
On investments and advances	9,622	7.6	5,456	5.1
Mortgage	434	.3	457	.4
Interest paid to banks	127,137	100.0	106,883	100.0
	26,758	21.0	21,386	20.0
Other revenue (net)	100,379	79.0	85,497	80.0
	951	.7	1,200	1.1
Expenditure	101,330	79.7	86,697	81.1
	30,292	23.8	31,031	29.1
Excess of revenue over expenditure	71,038	55.9	55,666	52.0
Add unappropriated surplus beginning of year	9,234	7.2	5,228	4.9
Surplus before appropriations	80,272	63.1	60,894	56.9
Appropriations:				
Interest on deposits	21,841	17.2	13,955	13.1
Interest rebate on loans	8,008	6.3	3,517	3.3
Dividends on shares	29,958	23.5	26,549	24.8
Transfer to reserve	8,238	6.5	7,639	7.1
	68,045	53.5	51,660	48.3
Unappropriated surplus carried forward	\$ 12,227	9.6	\$ 9,234	8.6

ASSETS OF THE SOCIETY

The following is a statement of the assets of the Society as at December 31, 1961 and December 31, 1960:

	December 31, 1961	December 31, 1960	Increase or (decrease)
Cash and investments.....	\$ 321,465	\$ 261,512	\$ 59,953
Loans to members (including overdrafts).....	1,738,784	1,640,999	97,785
Other assets.....	10,775	10,099	676
	2,071,024	1,912,610	158,414
Accounts payable.....	3,823	5,574	(1,751)
	\$2,067,201	\$1,907,036	\$160,165



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Appendix "O"

The source of funds which provided the net increase of \$160,165 in assets was as follows:

Funds provided:

Capital stock subscriptions, less withdrawals:

Subscriptions.....	\$ 87,768	
Withdrawals.....	54,715	\$ 33,053

Increase in members' deposits

Balance as at December 31, 1961....	1,313,398	
Balance as at December 31, 1960....	<u>1,218,949</u>	94,449
Excess of revenue over expenditure for the year.....		<u>71,038</u>

198,540

Funds applied

Dividends paid on shares.....	929,958	
Less credited to share capital.....	<u>21,432</u>	8,526
Interest on deposit accounts.....		<u>21,841</u>
Interest rebate on loans.....		<u>8,008</u>
		38,375

Excess of funds provided over funds applied..... \$160,165

The various liquidity ratios at December 31, 1961 are as follows

Deposits by members.....	\$1,313,398
Cash on hand and in bank.....	155,442
Market value of bonds held.....	162,214
Ratio of cash to deposits.....	11.8%
Ratio of cash and market value of bonds to deposits.....	24.2%
Capital, reserves and unappropriated surplus.....	753,803
10% of capital and deposits.....	206,720

The provisions of the Co-operative Credit Association Act which apply to the Society are, among others

Section 44 The Association shall not make any loan and shall not invest any funds if the aggregate of cash on hand and in bank is less than 5% of deposits, or if the making of the loan will reduce this ratio to less than 5%.

Section 45 The Association shall not make any loan and shall not invest its funds other than in government, municipal and school securities if the aggregate of cash on hand and on deposit and the market value of its government and municipal securities is less than 20% of the deposits, or shall not make any loan or investment other than government securities which reduce this ratio to less than 20%.

Section 46 The Association shall not loan to any one member in an amount which exceeds 10% of the capital and deposits of the Association.

Section 47 The aggregate of deposits and borrowings shall not exceed ten times the capital and reserves.

The Society is within these limits.

Appendix 1

The source of funds which provided the net increase of \$100,000 in assets was:

Under provided:
Capital stock subscription, less withdrawals.

Increase in members' deposits:
Balance as at December 31, 1951
Balance as at December 31, 1950
Increase of revenue over expenditure for the year.

Under provided:
Increase in members' deposits:
Balance as at December 31, 1951
Balance as at December 31, 1950
Increase of revenue over expenditure for the year.

Under provided:
Increase in members' deposits:
Balance as at December 31, 1951
Balance as at December 31, 1950
Increase of revenue over expenditure for the year.

The various liquidated assets at December 31, 1951 are as follows:

Under provided:
Increase in members' deposits:
Balance as at December 31, 1951
Balance as at December 31, 1950
Increase of revenue over expenditure for the year.

The provisions of the Credit Association Act which apply to the

are as follows:

Section 10. The Association shall not make any loan and shall not invest in any security, unless the aggregate of cash on hand and deposits is at least 10% of the aggregate of the loans and investments.

Section 11. The Association shall not make any loan and shall not invest in any security, unless the aggregate of cash on hand and deposits is at least 10% of the aggregate of the loans and investments.

Section 12. The Association shall not make any loan and shall not invest in any security, unless the aggregate of cash on hand and deposits is at least 10% of the aggregate of the loans and investments.

Section 13. The Association shall not make any loan and shall not invest in any security, unless the aggregate of cash on hand and deposits is at least 10% of the aggregate of the loans and investments.

The society is a limited liability company.



Appendix "G"

CASH AND INVESTMENTSASSETS

The cash on hand and in banks consists of the following:

Cash on hand:
Change fund in Winnipeg office..... \$ 2,314

Cash in banks:
The Royal Bank of Canada..... \$141,636
Canadian Imperial Bank of Commerce. 11,492 153,128

\$155,442

Investments are stated at cost, \$163,975. The market value of the investments at December 31, 1961 was \$162,214. Details of the securities held are as follows:

	<u>Par</u>	<u>Cost</u>	<u>Market</u>
Government of Canada 4½% bonds due 1983.....	\$ 43,000	\$ 43,000	\$ 40,151
City of Brandon 5½% bonds due 1966-68.....	25,000	24,625	23,750
Government of Canada 4½% bonds due 1972.....	50,000	46,500	48,063
Province of Manitoba 5½% bonds due 1966.....	10,000	10,000	10,100
Province of Manitoba 5% bonds due 1971.....	25,000	25,000	25,000
Province of Quebec 5½% bonds due 1968.....	<u>15,000</u>	<u>14,850</u>	<u>15,150</u>
	<u>\$168,000</u>	<u>\$163,975</u>	<u>\$162,214</u>

Changes in the investments during the year were as follows:

	<u>Par</u>	<u>Cost</u>
Purchases:		
Province of Manitoba 5% bonds due 1971.....	\$25,000	\$25,000
Province of Quebec 5½% bonds due 1968.....	<u>15,000</u>	<u>14,850</u>
	40,000	39,850
Sales:		
Ontario Hydro Electric 4½% bonds due 1962.....	<u>15,000</u>	<u>14,836</u>
	<u>\$25,000</u>	<u>\$25,014</u>

The gain on sale of \$15,000 Ontario Hydro Electric 4½% bonds amounting to \$13.50 together with the interest income from treasury bills, bought as a temporary lodgment for idle funds, amounting to \$2,741, is included in the total of interest earned on investments.

LOANS TO MEMBERS

These loans consist of:

Loans to credit union societies.....	\$1,689,055
Loan to Credit Union League of Manitoba Limited....	20,000
Deposit account overdrafts:	
Credit Union League.....	9,712
Credit union societies.....	<u>20,017</u>
	<u>\$1,738,784</u>



Appendix "O"

Loans to credit union societies are secured by notes and are covered by assignment of their book debts to the Society. The accounts were reviewed at November 30, 1961 and from the information obtained are properly secured and in good condition. Loans bear interest at 6% which in the main is paid promptly.

The loan of \$20,000 to the Credit Union League of Manitoba Limited is secured by a first mortgage on the League's property which is the premises occupied by the Society. Repayment is due in 1977. Interest by special arrangement is at a rate equal to that paid on share capital by the Society which was 4½% for 1961.

Deposit account overdrafts, except that of the League, are temporary.

OTHER ASSETS

Details of these are set forth in the balance sheet. The mortgage receivable is a first mortgage on property at Brandon on which \$7,112 was owing at December 31, 1961 and which is being repaid according to the terms. The advance of \$2,000 to Co-operative Fire and Casualty Company of Regina was made in 1951 for which no arrangements for repayment have been made but which bears interest at 5%. The amount of \$400 represents a payment on a subscription for ten shares of \$100 each in Canadian Co-operative Credit Society Limited on which \$600 is payable when called. During the year the Society subscribed for shares in the Credit Union League of Manitoba Limited in the amount of \$1,000.

LIABILITIES

ACCOUNTS PAYABLE

The amount of \$60 represents amounts received on share subscriptions from co-operative associations which have not been approved for membership by the Board of Directors of the Society.

MEMBERS' CAPITAL, RESERVES AND UNAPPROPRIATED SURPLUS

The details of the changes in these accounts are set out in the financial statements. During the year the Society received share capital subscriptions amounting to \$87,768. Share capital withdrawals during the year amounted to \$54,715. These amounts compare with subscriptions of \$71,973 and withdrawals of \$32,285 in the previous



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Appendix "O"

year. A dividend of 4½% on share capital amounting to \$29,958 was declared in September 1961 of which \$21,432 was credited to the members' share accounts.

In accordance with Article 16 of the Act incorporating the Society, 20% of the net surplus for the year, after deduction of interest on deposits and interest rebate on loans, has been transferred to general reserve. The amount transferred was \$8,238 as follows:

Excess of revenue over expenditure.....		\$71,038
Interest on deposits - current.....	\$ 9,036	
- term.....	12,805	
Interest rebate on loans.....	<u>8,008</u>	<u>29,849</u>
		<u>\$41,189</u>
20% thereof.....		<u>\$ 8,238</u>

* * * *

We shall be pleased to give you any further information you may require.

Deloitte, Menden, Hastings, Sells

Auditors.



Nethercut & Young

Toronto, Ontario

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CO-OPERATIVE CREDIT SOCIETY OF MANITOBA LIMITED

(Incorporated by Special Act of the Province of Manitoba)

BALANCE SHEET AS AT DECEMBER 31, 1961


(with 1960 figures for comparison)

ASSETS

	<u>1961</u>	<u>1960</u>
CASH AND INVESTMENTS:		
Cash on hand and in banks.....	\$ 155,442	\$ 120,128
Investments at cost.....	163,975	138,961
(Approximate market value 1961 \$162,214, 1960 \$132,173...)		
Accrued interest on investments.....	<u>2,048</u>	<u>2,423</u>
Total cash and investments.....	<u>321,465</u>	<u>261,512</u>
LOANS TO MEMBERS:		
Loans to credit union societies.....	1,689,055	1,592,575
Loan to Credit Union League of Manitoba Limited.....	20,000	20,000
Deposit account overdrafts:		
Credit Union Societies.....	20,017	12,793
Credit Union League of Manitoba Limited.....	<u>9,712</u>	<u>15,631</u>
Total loans.....	<u>1,738,784</u>	<u>1,640,999</u>
OTHER ASSETS:		
Mortgage receivable.....	7,112	7,518
Advance to Co-operative Fire and Casualty Company.....	2,000	2,000
Shares in Credit Union League of Manitoba Limited.....	1,000	-
Shares in Canadian Co-operative Credit Society Limited.....	400	400
Sundry balances receivable.....	262	180
Furniture and equipment - nominal value.....	<u>1</u>	<u>1</u>
Total other assets.....	<u>10,775</u>	<u>10,099</u>

Signed on behalf of the Board:

 Director

 Director

TOTAL..... \$2,071,024 \$1,912,610



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LIABILITIES

	<u>1961</u>	<u>1960</u>
DEPOSITS BY MEMBERS:		
Credit union societies - current.....	\$ 811,371	\$ 871,286
- term.....	466,083	313,258
Co-operative associations - current.....	4,926	3,387
- term.....	25,000	25,000
Credit Union League of Manitoba Limited - term.....	<u>6,018</u>	<u>6,018</u>
Total deposits.....	<u>1,313,398</u>	<u>1,218,949</u>
ACCOUNTS PAYABLE:		
Cheques certified for depositors.....	300	-
Accounts payable - sundry.....	60	541
Accrued interest on term deposits.....	<u>3,463</u>	<u>5,033</u>
Total accounts payable.....	<u>3,823</u>	<u>5,574</u>
MEMBERS' CAPITAL, RESERVES AND UNAPPROPRIATED SURPLUS:		
Share capital:		
Authorized 200,000 shares of \$5.00 each.....	<u>\$1,000,000</u>	
At credit of members:		
Credit union societies.....	681,145	627,100
Co-operative associations.....	<u>7,375</u>	<u>6,935</u>
Total share capital.....	688,520	634,035
Reserves:		
General.....	50,985	42,747
Contingencies.....	1,071	1,071
Investment.....	<u>1,000</u>	<u>1,000</u>
Unappropriated surplus.....	<u>12,227</u>	<u>9,234</u>
Total capital, reserves and surplus.....	<u>753,803</u>	<u>688,087</u>
TOTAL.....	<u>\$2,071,024</u>	<u>\$1,912,610</u>



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CO-OPERATIVE CREDIT SOCIETY OF MANITOBA LIMITED
STATEMENT OF REVENUE AND EXPENDITURE AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1961
(with 1960 figures for comparison)

	1961	1960
REVENUE:		
Interest earned:		
On loans to credit union societies.....	\$117,081	\$100,970
On investments and advances.....	9,622	5,456
On mortgage.....	434	457
	<u>127,137</u>	<u>106,883</u>
Interest paid - bank loans.....	26,758	21,386
	<u>100,379</u>	<u>85,497</u>
Service charges on cheques - less bank charges.....	951	1,200
	<u>101,330</u>	<u>86,697</u>
EXPENDITURE:		
Management service and salaries.....	20,000	19,719
Business tax.....	101	96
Telephone and telegraph.....	145	115
Postage.....	624	609
Fidelity bond premium.....	325	-
Printing, stationery and office supplies.....	1,381	2,174
General expense.....	671	1,039
Audit and legal.....	1,200	1,500
Annual meeting.....	1,417	935
Directors' expenses.....	2,045	2,165
Manager's expenses.....	895	600
Clearing house fees and charges.....	814	997
Furniture and equipment.....	495	855
Repairs and maintenance.....	179	227
	<u>30,292</u>	<u>31,031</u>
EXCESS OF REVENUE OVER EXPENDITURE.....	71,038	55,666
ADD:		
Unappropriated surplus, beginning of the year.....	9,234	5,228
SURPLUS BEFORE APPROPRIATIONS.....	<u>80,272</u>	<u>60,894</u>
APPROPRIATIONS:		
Interest on current deposits - 2%.....	9,036	8,433
Interest on term deposits - 3½%, 4%, 4½%.....	12,805	5,522
Interest rebate on loans - 8% (5% in 1960).....	8,008	3,517
Dividends paid on shares - 4½%.....	29,958	26,549
Transferred to general reserve.....	8,238	7,639
TOTAL APPROPRIATIONS.....	<u>68,045</u>	<u>51,660</u>
UNAPPROPRIATED SURPLUS CARRIED FORWARD.....	\$ 12,227	\$ 9,234



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CO-OPERATIVE CREDIT SOCIETY OF MANITOBA LIMITED

STATEMENT OF RESERVE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 1961

	<u>General reserve</u>	<u>Reserve for contingencies</u>	<u>Investment reserve</u>
BALANCE AS AT DECEMBER 31, 1960.....	\$42,747	\$1,071	\$1,000
APPROPRIATION FROM SURPLUS FOR YEAR ENDED DECEMBER 31, 1961.....	<u>8,238</u>	<u>-</u>	<u>-</u>
BALANCE AS AT DECEMBER 31, 1961.....	<u>\$50,985</u>	<u>\$1,071</u>	<u>\$1,000</u>

STATEMENT OF MEMBERS' SHARE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 1961

	<u>Credit union societies</u>	<u>Co-operative associations</u>	<u>Total</u>
BALANCE AS AT DECEMBER 31, 1960.....	\$627,100	\$6,935	\$634,035
SUBSCRIPTIONS RECEIVED DURING YEAR.....	87,618	150	87,768
SHARE DIVIDEND CREDITED.....	<u>21,142</u>	<u>290</u>	<u>21,432</u>
	735,860	7,375	743,235
WITHDRAWALS DURING YEAR.....	<u>54,715</u>	<u>-</u>	<u>54,715</u>
BALANCE AS AT DECEMBER 31, 1961.....	<u>\$681,145</u>	<u>\$7,375</u>	<u>\$688,520</u>



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APPENDIX "P"

CO-OPERATIVE CREDIT SOCIETY OF MANITOBA LIMITED

RATES OF INTEREST PAID ON DEPOSITS AND SHARES

<u>Year Ended</u>	<u>Interest Paid On Current Deposits</u>	<u>Interest Paid On Term Deposits</u>	<u>Dividend Paid On Shares</u>	<u>Interest Rebate On Loans</u>
Nov. 30, 1952	1/4%		3%	
Nov. 30, 1953	1/4%		3%	
Nov. 30, 1954	1/4 - 2%	3%	3%	
Nov. 30, 1955	2%	3%	3%	
Nov. 30, 1956	2%	3%	3%	
Nov. 30, 1957	2%	3%	3%	
Nov. 30, 1958	2%	2% - 3% - 3 1/2%	3 1/2%	
Nov. 30, 1959	2%	3% - 3 1/2%	4%	
Nov. 30, 1960	2%	3% - 3 1/2% - 4%	4 1/2%	5%
Nov. 30, 1961	2%	3 1/2% - 4% - 4 1/2%	4 1/2%	8%



APPENDIX "O"

ANALYSIS OF THOSE EXPENSES SET OFF AS OTHER EXPENSES IN INCOME AND EXPENSE
STATEMENT OF REPRESENTATIVE CREDIT UNIONS (SEE APPENDIX "N", PAGE 6)

	1956	1957	1958	1959	1960
3 Credit Unions					
Assets \$50,000 to 75,000					
Interest on borrowings	454.52	292.63	889.74	1,293.69	1,318.55
Stationery	101.58	101.96	180.17	314.17	195.41
Salaries	2,965.32	2,828.10	2,705.04	1,753.11	2,054.90
League Dues	406.20	294.00	217.20	393.00	409.00
Insurance	2,629.20	2,614.69	1,576.96	2,309.02	2,532.04
Rent, Heat, Light	126.99	120.00	-	230.80	520.00
Depreciation	200.59	79.38	55.56	80.50	98.40
Other Expenses	597.85	710.57	583.34	480.27	927.82
Totals	7,482.25	7,049.33	6,208.01	6,854.56	8,056.12

3 Credit Unions					
Assets \$100,000 to \$300,000					
Interest on borrowings	1,161.52	98.30	4.76	995.31	2,861.38
Stationery	350.56	383.32	425.76	574.12	714.56
Salaries	7,013.00	6,681.06	6,185.00	5,701.00	8,863.25
League Dues	1,430.00	1,322.80	1,206.00	726.00	937.00
Insurance	8,337.05	6,577.64	7,072.10	6,498.45	8,411.25
Rent, Heat, Light	2,514.39	300.25	591.68	660.00	660.00
Depreciation	897.04	117.69	494.07	141.48	114.08
Other Expenses	3,265.61	2,323.36	3,756.73	2,067.59	2,645.97
Totals	26,471.17	17,823.42	19,736.10	17,363.95	25,207.49

3 Credit Unions					
Assets \$500,000 to \$600,000					
Interest on borrowings	354.72	1,437.03	5,584.34	6,828.17	6,677.74
Stationery	281.96	698.77	1,577.95	1,039.47	1,354.19
Salaries	5,000.00	6,455.02	22,437.76	23,203.50	26,602.20
League Dues	1,143.00	1,246.00	2,448.60	1,297.50	617.00
Insurance	5,481.24	6,956.81	13,672.94	12,782.79	19,784.58
Rent, Heat, Light	252.38	157.59	836.00	2,018.12	2,330.86
Depreciation	507.61	617.56	793.30	3,200.98	2,990.40
Other Expenses	3,534.58	2,893.19	11,191.08	14,018.32	7,057.92
Totals	16,635.49	20,461.97	58,553.97	64,388.85	67,414.89

* - One credit union only.



APPENDIX "R"

FUNCTIONS OF THE CREDIT UNION LEAGUE OF MANITOBA

1. FIELD SERVICE

League field representatives are constantly at the service of Credit Unions which are members of the league. They visit Credit Union officials, analyze Credit Union operations, assist with accounting and other operational problems and counsel as to policies and practices which lead to better and sounder Credit Union services.

2. ORGANIZATION

The Credit Union League of Manitoba fulfills one of its main reasons for existing by constantly promoting and assisting in the organization of new Credit Unions. Technical and other forms of assistance is provided to groups applying for a Credit Union Charter. Help is given when the organizational meeting is held and new officials are supplied with all necessary information to make the new Credit Union successful. It also encourages volunteer organizers to participate in this important work and co-operates with them in every way.

3. TRAINING AND EDUCATION

Credit Union leaders are offered a full schedule of training opportunities through the numerous education and training activities of the league. These are available through conferences, workshops, schools for credit union officials and personnel conducted on a provincial district or chapter level. Special training in Credit Union management is also provided through a league-sponsored university course or on an individual basis for all types of operating problems. Visual aid is also available in the form of films aimed at explaining the duties and responsibilities of Credit Union officials.

4. PUBLICATION SERVICE

Credit Union leaders and people in public life are kept informed in Credit Union development and Credit Union activities through the Manitoba Credit Union News; the "Highlight" monthly publication; periodic newsletters and other information.



1
2
3 literature. They can also get valuable advice and assistance
4 through the Bridge Magazine, the international publication of
5 the organized Credit Union movement. In addition the league
6 provides assistance and advice to credit unions in the develop-
7 ment of publicity material aimed at their individual member-
8 ship.

9 5. PUBLIC RELATIONS

10 A continuous program of public relations at the
11 provincial level protects good relationships with the people,
12 organizations and government of the province. Personal
13 contacts, publications and publicity channels are used and
14 co-ordinated with the national and international programs.
15 Films on Credit Unions are also used and made available to
16 Credit Unions for public relations programs in their immediate
17 area.

18 6. REGIONAL ACTIVITIES

19 The league brings Credit Unions together periodically
20 on a Regional basis, assisting such regions with various
21 educational programmes of benefit to all. Through the Geograph-
22 ical Regions, Credit Unions have a constant line of communic-
23 ations with the league. Assistance is also provided to the
24 Regions in the promotion of annual Credit Union Day celebrations
25 on the third Thursday in October in each year.

26 7. LEGISLATIVE OFFICES

27 The league acts as a representative in all matters
28 affecting changes in the legal and legislative rights of Credit
29 Unions.

30 8. OPERATING AND TECHNICAL SERVICES

Numerous operating and other forms of technical
services are available and supplied by the league. Some of them



Appendix "R"

are: a blanket liability and accident insurance protection; an outstanding bonding program; a microfilming service; an automobile insurance program specifically designed to protect the interest of Credit Unions; advice and assistance with collection programs; a retirement Savings Program for Credit Union employees; and much other technical information designed to protect, improve, and promote Credit Union operations.

9. SUPPLY AND PRINTING DEPARTMENT

Service is available from the league supply department on stock literature and operating forms including notes, passbooks, and bookkeeping supplies. New and attractive promotional items are also offered monthly. Special printing jobs are also handled through this department such as Credit Union annual reports and monthly bulletins.

10. INSURANCE PROTECTION

Through the league, member Credit Unions can obtain the valuable services of Loan Protection and Life Savings Insurance from the Cuna Mutual Insurance Society, a Credit Union Insurance company with programs specifically designed for Credit Union members and Credit Unions.

11. AFFILIATION

Credit Union membership in the Credit Union League of Manitoba Limited includes its membership in CUNA and NACCU.



LOANS

The making of loans is probably the most important function of a credit union, and will probably be the main source of credit union problems. Loans are necessary if a credit union is to provide a complete co-operative service to the members. 90% of credit union revenue comes from loans.

Loans place a responsibility on the Board of Directors and all committees of a credit union. Every reasonable precaution and sound business practice is followed by all officers of a society to preserve and protect and thereby encourage the faith of the members in their society. Essentially, all credit union loans are based on the character of the borrower but this does not mean that the Credit Committee declares everyone a good risk and considers the matter of security relatively unimportant.

The Act and the By-laws set out quite clearly the law, the rules and the regulations in regard to the making of loans.

How Loans are Made

Loans may be made only to members (Act, Section 62 - Appendix "A") and members may be accepted only from within the sphere of operation outlined under Section 4 of the By-laws (Appendix "G").

The Credit Committee has charge of the granting of all loans (Act, Section 59 - Appendix "A") except those made to officers which includes Directors and committee members. These must be dealt with by a joint meeting of the Board, Credit Committee and Supervisory Committee sitting together (Act, Section 63(6) - Appendix "A").

The Treasurer cannot make a loan until he has the application properly completed and approved by the Credit Committee or the Loan Officer, except when authorized to do so under the Act (Section 59(12) and (13) - Appendix "A"). Such authorization can only be given by the Credit Committee and



Appendix "B"

must be written into the minutes. All loans made by the Treasurer, as authorized, must be reported to the Credit Committee at the next meeting (Act, Section 59(14) - Appendix "A").

The Treasurer presents to the Credit Committee all the factual information he has that would have a bearing on the granting or refusal of a loan. Other than this, he should have no part in the granting of a loan.

The security agreed to, as set out in the application and approved by the Committee, must be met before the money is handed to the borrower. For example, if the application approved by the Credit Committee calls for a Chattel Mortgage, such a mortgage must be taken before the disbursement is made. The note must also be completed in detail.

Interest rates on loans are fixed by the Board of Directors (Act, Section 57 - Appendix "A") and not by the Treasurer or Credit Committee. The maximum rate that can be charged is 12% per annum (By-laws, Section 19 - Appendix "G", and Act, Section 22A - Appendix "A").

The Board of Directors may also place general limitations on the maximum individual loans that may be made by the Credit Committee (Act, Section 57 (d) - Appendix "A"; By-laws Section 18 - Appendix "G").

No security other than the note of the borrower is required by the Act for loans under \$500.00 (Act, Section 63(2) - Appendix "A").

The Credit Committee, however, may require security for any loan even though it is less than the maximum allowed by Section 63(2) of the Act. (See Act, Section 63(2) - 63(3) Appendix "A").

Security

All borrowers in excess of \$500.00 must furnish security "satisfactory to the Credit Committee". (Act, Section 63(3) - Appendix "A".)



Appendix "S"

Shares and deposits may be used as security, if they are given as security on the application and the note (Act, Section 63(7) - Appendix "A"), but they may not be withdrawn by either the borrower or a co-maker as long as the loan remains outstanding; except for that amount which is in excess of the unpaid balance of the loan.

The Act provides a great deal of leeway under Section 63(3) (Appendix "A") but the Credit Committee takes the following items into consideration when dealing with the matter of security:

1. The character of the borrower,
2. The purpose for which the loan is being made,
3. The ability of the borrower to repay according to the terms of the contract, and
sets the security accordingly.

The terms of repayment of a loan and the security involved should be clearly set out in the application and incorporated in the note.

When deciding on the security that should be taken, the Credit Committee keeps in mind that it is loaning funds of the members and as such they cannot afford to take unnecessary risks.

In all cases where security is involved, the security must be taken before the money is disbursed.

The Treasurer cannot alter the terms of a loan once it has been approved by the Credit Committee. If the application and approval thereof required John Doe to be a co-signer then John Doe's signature must be secured before the disbursement of the loan is made. No other form of security will do unless it is authorized by the Committee in the minutes.



DELINQUENT LOANS

Delinquent loans become a serious problem in some credit unions. Every society has some trouble with delinquents.

Why Do Loans Become Delinquent?

1. The borrower and the Credit Committee have overestimated the borrower's ability to pay according to the terms of the note.
2. The borrower's ability to repay has deteriorated after the loan was made.
3. The Credit Committee has insisted on payments that were too high for the borrower to maintain.
4. The character of the borrower was not thoroughly investigated before the loan was made.

In making its regular audit of the books of the society, the Supervisory Committee reports to the Board all delinquent loans and delinquent payments.

How Credit Unions Deal with Delinquent Loans

It is the duty of the Board of Directors to deal with all delinquents. The Board receives a report from the Treasurer giving his opinion of the reason for the delinquency. In some cases, delinquent payments will have been paid up by the time the Board meets. In all other cases, the Board will take action:

1. by instructing the treasurer to follow up on certain delinquents by personal interview or letters.
2. by delegating specific members of the Board of Directors to interview delinquents with a view to getting their payments up-to-date.
3. by taking legal action to foreclose on the security given.
4. by writing off delinquent loans against the Reserve Fund when they are found to be uncollectable.



Appendix "A"

5. by arranging with the Credit Committee for an extension of the agreement for reasons which seem good and sufficient as far as the Board is concerned.

6. by renegotiating some loans entirely when they become delinquent, taking into consideration the member's ability to pay.

The important thing as far as delinquent loans are concerned, is that immediate action is taken when a loan or a payment becomes delinquent.



APPENDIX "III"

DISPOSAL OF EARNINGS

Interest on Deposits

Sometime prior to the fiscal year end the Board of Directors must decide on the interest to be paid on members' deposits and such a motion written in the minutes (Act, Section 57(b) - See Appendix "A"). Some Boards do this early in the year when past experience of their society justifies such action and others set the interest rate in December.

Interest on deposits is an allowable operating expense and the rate is set by the Board and the credit made to each member's account before the books are closed for the year end.

Interest must be calculated on either a monthly or quarterly basis as determined by the Directors (By-laws, Section 15 - See Appendix "G").

Undivided Earnings and Reserve Fund

All entrance fees and fines (By-laws, Section 6 and Section 20 - See Appendix "G") must be transferred to the Reserve Fund before the books are closed for the year (Act, Section 46(4) - See Appendix "A"). These entrance fees and fines are generally carried in a separate account during the year and transferred in one lump sum at the year end.

The surplus shown on the operating statement after expenses have been deducted from income for the year is called "net undivided earnings" for the year. Twenty percent (20%) of this figure must be transferred to the Reserve Fund before the books are finally closed for the year. (Act, Section 46(2) - See Appendix "A").

The balance of the surplus is called "net earnings". Before these earnings may be distributed the Board must carefully examine the position of the society under Section 63(8), (9), (10) and (11) of the Act - (See Appendix "A"). If the delinquent loan situation is such that it leaves the Credit Union free to distribute its surplus, the annual meeting of the society is governed by the following alternatives:-



Appendix "U"

Education Fund - (Act, Section 46(6) Appendix "A")

If the annual meeting has by By-law decided that a certain percentage (not more than 5%) of the net earnings shall be set aside for education purposes than this deduction will be made before consideration is given to dividends and rebates.

Extraordinary Fund

If rebate of interest has been allowed, the annual meeting may decide to set aside additional reserves over and above the statutory requirements, to take care of possible deficits or to be used for any other unforeseen loss. The recommendation for setting up such a fund comes from the Directors but action may be taken by the members at the annual meeting without the Directors' recommendation. Such a decision is, of course, recorded in the minutes of the meeting.

(Act, Section 46(9) - See Appendix "A").

Charitable Fund and Donations (Act, Section 46(6A),

(6B) and (6C). - See Appendix "A")

To give some guidance and control in regard to donations these subsections were placed in the Act. They are self-explanatory but simply state that, before share dividends are determined, 10% of net earnings may be set aside by a resolution at the annual meeting for donation purposes. The Board has control over the distribution of this money. The unspent portion automatically reverts to the general funds before each annual meeting.

Dividends on Shares

The Board of Directors should give some leadership and guidance to the annual meeting by recommending the percentage of dividend to be paid on shares and recording such a motion in their minutes. High dividend rates are not necessarily desirable. Four percent is the average rate paid by Manitoba credit unions. This is higher than the bank rate on savings and compares favourably with the interest on Savings bonds.



Appendix "U"

High dividend rates may be difficult to maintain when the credit union reaches the point where it is giving maximum service to its members.

Dividends cannot exceed the amount of the net earnings available for distribution and the Act provides penalties for officers paying interest or dividends out of capital (Act, Sections 23 and 37 - See Appendix "A"). The statutory limitation on the rate of dividend is five percent (Act, Section 46(7)(a) - See Appendix "A").

REBATE OF INTEREST

Along with dividends the Board recommends the amount (if any) of the net earnings to be returned to borrowers as a rebate of interest. It is not good credit union practice to charge borrowers twelve percent interest on loans and pay a high dividend rate of five percent, while at the same time giving no consideration to the borrower in terms of a rebate of interest. No rebate can be made unless the rate of dividend is at least equal to the rate of interest paid on deposits. (Section 46(2) - See Appendix "A").

In the matter of interest, dividends, and rebates, a fair sense of proportion should be maintained. High rates of interest and dividend should not be maintained at the expense of the borrower. On the other hand, interest rates on loans should be high enough to maintain all Credit Union services required by the members plus a reasonable payment to the shareholder and depositor for the use of their money.



APPENDIX "V"

GOVERNMENT AUDITING AND SUPERVISION

The Credit Union Act sets out in legal terms the things that can and cannot be done by credit union societies. Credit Union legislation is necessary to make it possible for groups of people to organize for the purpose of providing a way in which members of the group may save money systematically and, out of the pool of savings thus created, to make loans to their members. The officers elected to administer this fund are responsible to the whole group.

The Act contains restrictions and outlines limitations calculated to protect the interests of the members. It is up to the officers of the society to see that the limitations of the Act are not exceeded.

The Director of the Co-Operative Services Branch (Act, Section 67 - See Appendix "A") must prepare by-laws for all new societies. These are standard forms which take into consideration the basic principles of credit union operations. The Director is required to advise and assist persons who wish to organize a credit union. Under Section 67 the Director "shall not give his approval (to application for charter and by-laws) unless he is satisfied that the proposed society would benefit its members and be consistent with the purposes of the Act". The purpose of this authority is to protect the credit union name and credit union principles against those who would abuse the privileges and responsibilities of true co-operation in credit union undertakings.

Auditing and Supervision.

One of the important provisions of the Act requires the Government to audit, supervise and inspect each credit union every year. It is because of the semi-public nature of credit unions that all societies in Manitoba are required by law to be inspected and supervised by the Government.



Appendix "V"

The Supervision service was started in Manitoba in 1943. A Government supervisor was appointed to assist in improving the bookkeeping system for credit unions. After an exhaustive study he prepared the bookkeeping manual now in use. Through his annual audits he helped all credit unions to take proper care in handling of money left with them by the members. With the establishment of the Co-Operative Services Branch in 1949, further improvements in the service developed and additional supervisors have been added as required.

With the present staff of supervisors it is possible to meet with Boards and Committees to discuss reports and operations generally. Supervisors are also able to make extra visits to those societies needing the extra attention and time is frequently taken to assist new officers to become more familiar with their credit union work. These additions to the staff since 1943 have been consistent with the rapid growth of credit unions in recent years and with the regular requests of credit unions from year to year to have the Government service increased.

The duties of supervisors go much further than auditing the books of a credit union. They discuss proper methods of bookkeeping with the manager. They meet with Boards and Committees whenever possible to discuss ways and means of improving their credit union operations. They point out proper business methods which should be followed. They instruct committees and the Board in regard to proper credit union principles and practices. The supervisor's reports are followed up by visits or by correspondence to see that the

The Supervision section was attached to the Ministry of Finance in 1943. A Government supervision was appointed to assist in supervising the bookkeeping by the various credit unions. After an extensive study he prepared the bookkeeping manual now in use. Through his annual visits he helped all credit unions to take proper care in handling accounts with them by the members. With the establishment of the Co-Operative Service Bureau in 1949, further developments in the service developed and additional agencies were soon established.

With the present staff of supervisors it is possible to meet with boards and committees to discuss reports and operations generally. Supervisors are also able to make visits to those societies needing the extra attention and time is frequently given to assist in the training of members.

To the credit since 1943 have been issued in which the growth of credit unions in recent years and with the regular requests of credit unions from year to year to have the Government service increased.

The duties of supervisors as set forth in the auditing the books of a credit union. They discuss the methods of bookkeeping with the managers. They work with boards and committees whenever possible to get the best means of improving the credit union operations. They point out proper business methods which should be followed. They instruct committees and the Board in regard to proper credit action principles and practices. They are also able to report on followed up by visits or by correspondence to see that the



Appendix "V"

reports are properly dealt with. In addition to this, many credit unions bring their books to the Branch for help in straightening out problems that arise between audits. All of these responsibilities of the Supervisor come within the meaning of Section 80 of the Credit Unions Act (See Appendix "A").

Two important principles are involved in this Government audit and supervision service:-

First - to provide the officers, once each year, with an independent and critical analysis of the operation of the society.

Second- to protect the interests of members by reporting dangers and pitfalls and generally to encourage members, through their leaders, to learn and understand the fundamentals of good business practices in the running of their own affairs.

The Government auditing and supervision service does not pretend to "run" the operation of local credit union societies but instead will "generally endeavour to promote the welfare and best interests of credit union societies in accordance with sound credit union practice and principles" (Act, Section 80(2)(9h) - See Appendix "A").

Government Inspection Fees

In 1954 a schedule of inspection fees was put into effect by the Government. Due to the steady growth of credit unions in the Province it was felt by the Government that some limitation should be placed on the cost to the Government for this kind of service. A survey indicated that governments all over the U.S.A. and Canada provide this auditing and inspection service in various forms.



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Appendix "V"

It is common practice for government bodies on this continent to charge for inspection service. More than ninety percent of the credit unions pay for all or part of the work done by government agencies.

This service had been rendered free in Manitoba since 1943.

The schedule is worked out so that new credit unions pay no fee for the first year or two after incorporation.



APPENDIX "W"

BONDING

Bonding of credit union officers is important protection for credit union members. No matter how elaborate the precautions, there will always be someone who will give way to the temptation to tamper with funds they do not own. When serious defalcation strikes a credit union it can have serious consequences unless the society is carrying satisfactory bond coverage.

Minimum bonding requirements in Manitoba are the same as they have been since May, 1951, namely:

All credit unions with total assets of \$100,000 or less must have the Treasurer bonded for a minimum of 15% of total assets and the responsibility for seeing that this is done rests with the Board of Directors. (Act, Section 55 - See Appendix "A").

Where assets are \$100,001 to \$150,000, the minimum required is 14%.

Where assets are \$150,001 to \$200,000 the minimum required is 13%.

Where assets are \$200,001 to \$250,000, the minimum required is 12%.

Where assets are \$250,001 to \$300,000 the minimum required is 11%.

Where assets are \$300,001 or over, the minimum required is 10%.

Under Section 55 of the Credit Unions Act, (Appendix all persons appointed by the Board of Directors and given authority to receive or hold the funds or securities of the society are required to be bonded. Therefore, if persons, other than the Treasurer, are handling credit union funds they must be bonded but not necessarily for the full 15%.

La Caisse Centrale de St. Boniface provides a group bonding program for their member credit unions.



Appendix "W"

Over 75% of the Credit Unions in Manitoba have what is commonly referred to as a 576 bond underwritten by Employers Mutual Liability Insurance Company of Wausau, Wisconsin. This bond protects Credit Union assets against loss due to:

- (a) Dishonest acts of officers and employees.
- (b) Burglary and theft.
- (c) Forgery and alteration.
- (d) Misplacement or mysterious disappearance.
- (e) Fire damage to money and securities.
- (f) Vandalism and malicious mischief.

It is described as a 100% (\$1,000,000.00 maximum coverage) blanket bond - the 100% meaning all of the assets of the credit union up to one million dollars, whether or not they have been honestly reported. Covered by this bond are officers; clerks, collectors, messengers, persons in similar positions; members of the Credit Committee, Supervisory Committee, and similar committees; all other persons in the immediate employ of the credit union, and directors of the credit union while performing the usual duties as an employee of the credit union; the credit union's attorneys-at-law, whether elected, appointed or retained. The bond protects the Credit Unions against loss to property defined as money, securities, bullion, gold nuggets, gold dust, gold, platinum, silver, and other precious metals and articles made from them and jewellery.



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2 1955 to 1960 STATISTICAL INFORMATION ON RATES OF INTEREST PAID BY
3 CREDIT UNIONS ON (a) SHARE DIVIDENDS, (b) DEPOSITS, AND (c) PERCENTAGE
4 OF REBATE INTEREST

5 Rates	6 Number of Credit Unions					
A. SHARE DIVIDENDS	1955	1956	1957	1958	1959	1960
No information	30	24	27	28	26	21
1%	-	-	1	-	-	1
1½%	-	-	-	1	-	1
2%	12	5	5	2	5	-
2½%	8	6	7	5	5	3
2 3/4%	2	1	-	1	1	-
3%	72	73	58	52	46	42
3 1/4%	-	3	3	3	-	1
3 1/2%	26	26	27	24	23	29
3 3/4%	-	-	2	5	3	2
4%	32	46	61	74	76	84
4 1/4%	2	2	1	2	10	5
4 1/2%	4	4	10	13	21	31
4 3/4%	-	-	1	2	1	1
5%	-	-	4	6	8	15
	188	190	207	218	225	236

B. INTEREST ON DEPOSITS	1955	1956	1957	1958	1959	1960
No information	49	53	70	79	88	103
1/2%	-	1	1	1	1	1
1%	20	18	20	18	19	20
1 1/2%	20	15	15	12	10	9
2%	75	68	48	53	53	44
2 1/2%	15	23	24	18	15	20
2 3/4%	-	1	2	6	6	7
3%	9	11	25	27	29	28
3 1/4%	-	-	-	-	1	2
3 1/2%	-	-	2	3	3	2
	188	190	207	217	225	236

C. REBATE INTEREST	1955	1956	1957	1958	1959	1960
To 5%					10	17
6% to 10%	{25	{29	{33	{36	37	38
11% to 15%	14	22	23	24	21	20
16% to 20%	16	16	17	22	21	24
21% to 25%	2	4	4	4	6	5
26% to 30%	1	1	2	3	1	2
31% to 35%	-	-	-	1	1	1
4% & 5%	-	-	-	-	-	1
5% & 10%	-	-	-	-	-	1
5% & 15%	-	-	1	-	-	-
5% & 25%	-	-	1	-	-	-
10% & 20%	-	-	1	-	1	-
Two different rates				3		



1955 to 1960 STATISTICAL INFORMATION AS TO NUMBER OF BORROWERS AND
AMOUNT OF LOANS OUTSTANDING IN REPRESENTATIVE CREDIT UNIONS.

December 31st.		Number of Borrowers	Loans Outstanding
<u>1955</u>			
Assets: \$50,000 to \$75,000 (3 C.U.)		417	\$ 155,327
100,000 to 300,000 (3 C.U.)		598	500,055
500,000 to 600,000 (2 C.U.)		1,150	640,478
Totals 8 Credit Unions		2,165	\$1,295,870
<u>1956</u>			
Assets: \$50,000 to 75,000 (3 C.U.)		271	151,588
100,000 to 300,000 (3 C.U.)		841	570,225
500,000 to 600,000 (1 C.U.)		569	403,869
Totals 7 Credit Unions		1,681	\$1,125,682
<u>1957</u>			
Assets: \$50,000 to 75,000 (3 C.U.)		235	172,867
100,000 to 300,000 (3 C.U.)		858	502,254
500,000 to 600,000 (1 C.U.)		681	454,258
Total 7 Credit Unions		1,774	\$1,129,379
<u>1958</u>			
Assets: \$50,000 to 75,000 (3 C.U.)		209	166,688
100,000 to 300,000 (3 C.U.)		653	493,470
500,000 to 600,000 (3 C.U.)		1,645	1,453,490
Total 9 Credit Unions		2,507	\$2,113,648
<u>1959</u>			
Assets: \$50,000 to 75,000 (3 C.U.)		193	156,132
100,000 to 300,000 (3 C.U.)		441	457,702
500,000 to 600,000 (3 C.U.)		1,127	1,499,182
Total 9 Credit Unions		1,761	\$2,113,016
<u>1960</u>			
Assets: \$50,000 to 75,000 (3 C.U.)		181	154,385
100,000 to 300,000 (3 C.U.)		607	606,803
500,000 to 600,000 (3 C.U.)		1,318	1,433,732
Total 9 Credit Unions		2,106	2,194,920

NOTE: The above credit unions are not the same for each year, although made up of country and city credit unions.



1955 to 1960 STATISTICAL INFORMATION ON RATES OF INTEREST COLLECTED
ON LOANS BY CREDIT UNIONS (a) PERSONAL LOANS (b) MORTGAGE LOANS

(c) ESTATE LOANS

Rates		Number of Credit Unions					
A. PERSONAL LOANS		1955	1956	1957	1958	1959	1960
5%	1	1					
5 1/4%	1						
5 1/2%				1	1	1	1
6%	12	5	2	2	2	2	1
6 1/2%	1	2	1	1	2	1	1
7%	13	9	7	7	5	6	
7 1/2%			1	1	1		
8%	34	28	23	24	26	25	
8 1/2%	1		1	1	1	2	
9%	14	13	14	16	14	16	
10%	7	6	10	9	9	10	
12%	102	115	137	145	149	159	
Two different rates		7	10	10	15	13	

B. MORTGAGE LOANS:

5%	3	1	1	1	1	1	
5 1/2%		1	1	1			
6%	26	27	19	22	22	23	
6 1/2%	2	1	3	2	3	4	
7%	33	34	29	7	33	27	
7 1/2%			1	2	3	4	
8%	12	15	16	13	19	21	
8 1/2%			1			1	
9%	4	3	5	6	6	7	
10%				1			
12%		1	2	5	3	8	
Two different rates		4	8	6	8	7	

C. ESTATE LOANS

To 4%	4	4	4	4	7	7	
5%	3	2	1	1	1		
5 1/2%			1	1	1	1	
6%	12	14	15	26	36	35	
6 1/2%			2	2	1	1	
7%	11	12	11	13	15	18	
7 1/2%			1	1		1	
8%	3	3	3	2	2	3	
9%	1	1	2	2	3	4	
12%	2	2	1	1	3	2	



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1951 to 1960

CLASSIFICATION OF CREDIT UNIONS BY TOTAL ASSETS

	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
To \$10,000	56	56	45	47	58	49	57	61	55	48
\$10,001 to 30,000	32	45	47	47	46	43	42	35	37	42
\$30,001 to 50,000	22	16	17	16	19	26	24	24	18	22
\$50,001 to 75,000	5	13	16	19	18	17	24	24	24	19
\$75,001 to 100,000	9	5	9	7	8	6	8	15	20	16
\$100,001 to 300,000	13	19	21	29	32	37	32	34	43	51
\$300,001 to 500,000	3	3	3	3	3	6	13	13	12	15
\$500,001 to 600,000		1	1	2	2	1	1	3	7	10
\$600,001 to \$22,000	1		1	1	2	2	2	2	2	3
\$230,000 to \$1,000,000						1	1	2	2	1
\$1,000,001 to 1,300,000		1			1	1	1	1	2	3
\$1,300,001 to 1,500,000									1	2
\$1,500,001 to 2,000,000			1	1	1	1	2	2	2	2
Over \$2,000,000								1	1	2

TOTAL NUMBER OF
CREDIT UNIONS

141 159 162 172 190 190 207 217 226 236



1951 to 1960

CLASSIFICATION OF CREDIT UNIONS BY MEMBERS

	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
To 50 members	14	21	21	17	19	17	21	23	17	21
51 to 100	19	27	24	31	43	44	49	50	48	41
101 to 200	49	45	49	49	51	54	56	50	54	50
201 to 300	27	29	22	23	23	22	24	32	35	33
301 to 400	13	15	14	16	16	12	12	14	14	18
401 to 500	4	6	11	9	9	11	10	8	13	9
501 to 600	4	5	7	10	7	6	5	10	8	10
601 to 800	4	3	4	6	9	12	14	7	11	15
801 to 1,000	0	1	3	3	5	3	6	11	7	7
1,001 to 1,200	3	1	0	1	1	3	3	2	6	8
1,201 to 1,600	0	2	3	4	3	1	3	4	5	4
1,601 to 2,000	3	3	2	0	1	2	2	3	1	3
2,001 to 2,500	1	0	1	2	2	1	1	0	2	3
Over 2,500	0	1	1	1	1	3	3	4	5	4

TOTAL NUMBER OF
CREDIT UNIONS

141 159 162 172 190 191 209 218 226 236



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CLASSIFICATION OF LOANS GRANTED BY CREDIT UNIONS

PURPOSE	1955		1956		1957		1958		1959		1960	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1. Farm Machinery and Repairs	714	360,548.47	924	577,232.61	940	525,636.65	961	578,949.13	1,235	843,074.79	1,350	999,209.45
2. Purchase of Livestock	430	158,024.87	431	156,481.81	561	232,582.58	659	324,823.37	601	364,896.81	709	427,605.10
3. Seed Grain & Seeding Supplies	566	160,172.72	517	161,772.74	441	128,327.61	417	157,004.20	356	119,015.42	377	152,334.42
4. Harvest & Threshing	219	60,267.94	222	53,564.19	174	45,824.12	136	43,209.41	127	47,682.90	147	59,294.00
5. Other Farm Expenses including Wages	1722	497,198.82	1,566	553,488.24	1,438	544,200.80	1,624	646,742.47	1,850	849,182.52	1,803	282,600.79
6. Real Estate Mortgage Loans	556	1,458,382.06	573	1,561,885.56	660	2,061,302.35	975	2,943,517.64	1,117	3,765,135.99	1,253	4,513,920.24
7. Land & Buildings (Purchase and Repairs other than Mtge. loans)	3,030	1,662,880.28	3,330	2,093,580.53	4,002	2,537,376.08	4,587	3,301,555.00	5,184	4,330,260.52	5,791	5,068,085.17
8. Estate Loans	150	118,018.46	149	116,872.05	200	194,216.10	298	294,511.00	297	272,434.68	415	356,199.40
9. Automobiles & Trucks, Purchase and Repairs	3,530	2,003,387.00	4,437	2,954,096.99	5,190	3,714,097.64	5,972	4,607,642.75	7,395	6,228,656.10	8,040	6,859,034.75
10. Furniture & Clothing	4,325	930,024.59	4,844	1,092,901.36	4,901	1,090,292.87	5,093	1,218,009.95	5,522	1,495,111.96	6,650	1,760,640.32
11. Insurance - Life, Fire, etc.	607	76,405.20	621	96,917.49	545	102,128.83	703	118,711.96	802	149,241.35	858	143,350.52
12. Taxes	774	133,553.29	724	140,971.61	930	205,025.53	890	193,985.46	879	226,547.89	1,058	262,122.49
13. Investments, Bonds, Debentures, etc.	168	52,050.03	140	66,317.37	318	148,642.44	209	144,508.99	195	121,975.57	267	150,053.32
14. Hospital, Medical, Dental	1,480	246,510.80	1,565	323,344.61	1,467	284,699.29	1,332	256,967.65	1,259	228,603.29	1,366	250,228.41
15. Educational	510	81,180.06	374	93,937.66	440	93,734.47	464	116,168.69	537	156,769.97	655	145,423.39
16. Vacation	1,801	288,763.27	1,852	317,079.92	2,145	378,574.46	2,497	513,033.51	2,738	577,293.15	3,215	678,901.17
17. Loans to Co-Operatives	10	36,804.60	7	35,975.00	21	148,813.35	49	113,019.35	36	215,972.44	87	115,623.32
18. Business Operations (Merchandise, etc. but not debts & buildings)	840	350,701.93	1,069	796,788.76	803	625,564.78	980	1,000,340.20	1,089	1,470,255.73	1,052	1,325,387.55
19. Consolidation of Debts	3,854	1,388,733.74	4,411	1,819,806.11	4,859	2,173,871.32	5,127	2,631,890.70	5,562	3,107,207.14	6,445	3,876,689.77
20. Miscellaneous	4,766	777,264.92	5,219	893,794.65	5,252	999,844.61	6,262	1,171,421.30	6,536	1,274,845.31	6,718	649,555.26
TOTALS:	30,142	10,840,873.05	32,975	13,906,812.28	35,307	16,237,757.88	39,219	20,347,012.73	43,320	25,844,163.53	48,276	29,852,679.25

NOTE: Miscellaneous represents loans for any purpose not included under the previous 19 purposes.



CONSOLIDATED STATEMENT OF INCOME AND EXPENSES 1945 TO 1960

CREDIT UNION

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
Undivided Earnings Jan. 1st.	Fees and Fines	Interest from Loans	Other Income	Total	Share Dividends	Rebate Interest	Interest on Deposits	Other Expenses	Total Expenses	Transfer Fund	Transfer Funds	Undivided Earnings Dec. 31st.
1,240	1,926	50,368	8,708	75,142	10,124 ^{sa}		9,615	24,602	44,340	8,867		21,934
21,911	2,211	74,046	17,894	115,052	13,560	1,945	14,399	41,082	70,986	10,141	1,377	33,548
31,288	2,188	107,814	15,016	158,276	19,270	3,414	17,281	60,716	100,681	12,386	1,787	43,421
43,342	3,375	172,108	16,239	235,039	27,554	4,831	24,451	92,610	149,447	18,319	1,173	66,100
55,547	3,549	263,589	20,425	353,110	41,963	8,155	37,335	135,028	222,480	26,447	1,123	103,059
103,494	2,741	324,033	28,628	459,396	61,334	16,637	23,469	187,720	289,160	37,273	1,428	131,535
130,033	2,558	369,770	34,461	536,822	78,461	15,482	26,927	217,233	338,103	46,384	3,010	149,326
162,117	2,925	463,059	48,626	676,727	100,333	15,677	28,939	283,529	428,478	52,908	13,224	182,117
193,963	3,075	636,574	62,112	895,724	130,523	16,195	33,671	356,864	537,253	73,656	27,538	257,277
256,272	3,143	846,951	82,437	1,188,803	186,636	23,583	39,127	467,685	717,031	90,884	19,289	361,599
393,774	2,807	988,935	85,454	1,470,971	251,543	36,735	39,943	566,503	894,724	107,772	15,684	452,792
463,076	3,245	1,218,875	102,276	1,787,471	320,012	48,276	42,597	640,077	1,050,962	177,743	15,415	543,350
538,670	3,713	1,510,340	122,887	2,175,611	391,688	74,940	50,347	745,413	1,262,389	185,476	31,595	696,151
694,599	3,935	1,869,571	146,028	2,714,134	508,292	115,870	56,734	897,644	1,578,540	219,710	41,026	874,858
875,072	4,507	2,368,723	186,074	3,434,377	656,686	150,754	70,829	1,142,286	2,020,553	276,855	14,862	1,122,107
1,126,211	4,751	2,984,679	238,471	4,354,111	846,190	186,963	80,941	1,406,880	2,530,975	355,290	26,851	1,440,996

^{sa} - Includes Rebate Interest
^{sb} - Includes Other Funds

Column 1: Undistributed earnings of the previous year distributed in dividends and rebates after annual meeting.
Column 4: Other income includes interest from bonds, on debentures, interest from bank, dividends from Central, etc.
Column 7: Breakdown on separate sheet.
Column 12: Other funds include educational fund, contingency fund, surplus fund, etc.



A CREDIT UNION

STATISTICS - 1945 to 1960

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11	12.	13.	14.	15.	16.
1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
Credit Unions Incorporated during year	12	3	10	4	15	13	10	18	12	18	12	19	17	10	15
Total credit unions incorporated	115	118	128	132	147	160	170	188	200	210	240	259	276	286	301
Credit Unions Dissolved during year	1	2	0	4	0	0	13	0	7	5	8	5	0	8	-
Total credit unions dissolved	5	7	7	11	11	11	24	24	31	36	44	49	49	57	61
Active credit unions	110	104	110	112	126	135	141	158	162	172	192	209	218	228	236
Inactive credit unions	7	7	11	9	10	14	5	6	7	8	4	1	9	3	4
Number of Members	16,186	20,122	22,393	25,500	31,074	35,439	37,705	43,277	46,467	52,250	60,515	67,150	74,174	83,419	92,822
Loans Issued During year	1,079,356	1,802,019	2,494,455	3,461,107	4,796,324	3,863,021	4,808,805	5,707,443	9,127,329	9,768,599	13,925,505	16,277,820	26,347,013	26,179,556	30,011,085
Loans Issued Since Inception	3,468,598	5,271,705	7,519,051	10,990,157	15,815,481	19,679,502	24,488,307	31,195,750	40,393,579	50,092,178	74,803,295	91,181,106	111,553,119	137,709,760	167,729,845
Loans written off during year	31,492	1,112,150	670,548	123,07	642,31	461,00	1,252,95	15,060,36	2,758,81	23,586,49	2,156,53	48,863,07	127,495,92	71,861,29	35,256,36
Loans written off since inception					2,642,00	3,105,00	5,357,95	21,418,31	24,277,12	47,763,61	78,708,58	127,571,65	255,067,57	326,628,36	362,235,22
Percentage of Loans written off during year		8.7	11	14.6	16.3	.01%	.07%	.23%	.03%	.26%	.02%	.3%	.84%	.27%	.12%
Percentage of Loans written off since inception					.02%	.02%	.07%	.23%	.06%	.23%	.11%	.14%	.23%	.24%	.22%
Average number of shares per member	7.2	8.7	11	14.6	16.3	17.8	20.7	24.4	28.5	37.7	43.2	47.6	55.5	61.4	68
Average Members share holdings	36.20	43.54	55.44	73.23	81.52	89.18	103.68	122.11	142.39	188.65	215.94	242.72	277.56	307.06	339.91
Average Members holdings in shares & deposits					158.04	146.72	162.86	186.25	204.14	239.79	272.45	296.47	335.82	367.28	402.10
Average Members equity in assets	89.41	103.45	119.11	154.36	171.65	158.70	175.97	203.10	237.57	293.15	309.69	334.32	374.32	413.55	457.51
Percentage of shares to Total Assets	40.5%	42.1%	46.5%	47.5%	47.5%	56.2%	58.9%	60.1%	59.9%	66.3%	69.7%	72.6%	74.2%	73.4%	74.3%
Percentage of Loans to assets	59%	60.9%	70.2%	68.7%	75.5%	74.4%	70.4%	72%	78.7%	80.2%	80.5%	81.6%	81.3%	83.3%	83.3%
Percentage of Real Estate Mortgage Loans to assets			21%	23%	23.5%	20.6%	19.5%	17.8%	17.2%	16.7%	18.7%	19.2%	20.2%	22.9%	23.8%
Percentage of Loans to Liabilities			71.1%	78.4%	78.4%	78.1%	74%	75.6%	83%	85.6%	86.2%	87.7%	87.1%	89.2%	89.6%



CREDIT UNION
CONSOLIDATED BALANCE SHEET 1945 to 1960

LIABILITIES														
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.
Number of C.J.	Cash	Personal Loans Outstanding	R.E.Mortgages Loans Outstanding	Investments	Land and Buildings	Furniture	Other Assets	Total Assets	Share Capital	Deposits	Other Liabilities	Reserve Fund	Other Funds	Undivided Earnings
1945	298,805	843,568		279,572			9,135	1,431,080	584,218	753,051	45,553	24,716	1,608	21,934
1946	574,522	1,268,246		218,271			20,636	2,081,676	876,191	1,104,780	30,279	34,577	2,301	33,548
1947	570,154	1,871,030		198,337			27,639	2,667,170	1,241,366	1,236,384	96,725	46,045	3,230	43,421
1948	944,269	1,880,694	826,078	253,218	25,401		8,290	3,937,950	1,868,109	1,839,840	96,728	63,653	3,520	66,100
1949	896,206	2,788,306	1,240,915	364,529	36,135		7,881	5,333,972	2,533,146	2,377,811	227,231	89,999	2,725	103,059
1950	859,553	3,024,577	1,159,483	494,930	24,067	15,896	42,374	5,620,882	3,158,755	2,038,028	162,282	127,019	3,262	131,535
1951	1,216,909	3,376,179	1,294,781	673,753	25,972	18,115	29,574	6,635,284	3,909,489	2,231,137	171,115	167,868	6,349	149,326
1952	1,341,028	4,556,389	1,497,599	935,913	24,837	22,628	24,315	8,402,711	5,048,629	2,649,335	298,307	206,038	18,284	182,117
1953	1,053,742	6,788,798	1,900,054	1,179,277	25,950	33,367	57,776	11,038,964	6,616,588	2,859,018	981,576	270,576	43,929	257,277
1954	1,499,890	8,371,348	2,203,094	1,014,401	35,016	44,074	25,331	13,193,153	8,742,914	2,841,101	843,102	333,691	70,746	361,599
1955	1,742,057	9,409,886	2,860,778	1,114,349	123,879	40,306	25,974	15,317,229	10,600,842	2,873,348	865,731	413,762	110,755	452,792
1956	2,042,028	11,585,050	3,503,063	1,363,592	156,763	48,966	41,624	18,741,087	13,067,419	3,419,804	1,011,076	577,560	121,878	543,350
1957	2,155,698	13,985,570	4,325,178	1,637,315	197,948	60,461	77,327	22,439,497	16,293,368	3,604,977	986,037	711,208	147,756	686,151
1958	2,940,329	16,969,781	5,596,159	1,873,746	235,287	74,955	77,919	27,768,176	20,589,903	4,322,605	1,002,203	800,339	178,267	874,898
1959	2,898,815	21,799,689	7,279,707	2,341,793	354,950	109,408	130,329	34,914,689	25,614,870	5,023,611	1,959,068	1,069,121	125,911	1,122,177
1960	3,724,582	26,122,804	9,156,706	2,656,337	439,822	139,898	138,508	42,378,657	31,483,405	5,760,115	2,152,025	1,389,277	152,839	1,440,996

COLUMN 5: Investments are mainly Government bonds, School debentures, Shares in centrals.
8: Other assets are prepaid bonding, prepaid stationery.
12: Other liabilities: borrowings, accounts payable for stationery.
14: Other funds include educational funds, contingency reserve, surplus fund.
15: Difference between this column and the first column of Income and Expenses due to adjustments or corrections.



BRIEF TO THE ROYAL COMMISSION ON BANKING AND FINANCE

BY

THE WINKLER CREDIT UNION SOCIETY LIMITED

In view of the fact that the last federal review of the functioning of the Canadian financial system took place in 1933, and that the credit union movement has become a significant factor in the economy since that date, it was felt by The Winkler Credit Union Society that it might be useful to the Commission to hear the views of a successful local credit union operating in a rural area.

The Winkler Credit Union is aware that a joint brief will be presented to the Commission by The Credit Union League of Manitoba and The Central Credit Society of Manitoba and is acquainted with its contents which set forth a comprehensive description of credit union legislation in Manitoba and broad details of credit union operations in this province. These details are not repeated in our brief.

Our purpose in this brief is to illustrate the beneficial aspects of credit union philosophy and to show where credit union principles when combined with sound business practice can be beneficial to the individual, the community and the nation as a whole.

We consider that we have good legislation governing credit unions in Manitoba and therefore, The Winkler Credit Union would be apprehensive of any regulation of its activities from a Federal level. Of importance to us in Manitoba is that legislation governing credit unions be liberal and flexible, so that it will not hamper or hamstring our activities. We feel strongly that present provincial chartering, flexibility of liquidity and present lending practices be maintained, and that supervision and inspection of credit unions be left with the provinces.

We would not like to see any further legislation that would interfere with our ability to mobilize funds locally for the use of local people and the local community and where all aspects of our operations and policies are under our own control.

DESCRIPTION OF WINKLER

The Winkler Credit Union is located at Winkler, a town in Southern Manitoba some eighty miles from Winnipeg, well connected by highway and rail. The population of the town and surrounding area is 7,000 largely of Mennonite origin. The principal occupation is farming which is very diversified, including the growing of specialized crops such as vegetables for canning, sunflowers, sugar beets and potatoes, as well as the usual grain, livestock and poultry. Processing plants are located in the local area with the sugar refinery located at Winnipeg. As a result of diversification, the per acre income of the Winkler area is considerably higher than the grain growing areas more general in the West.

REPORT TO THE ROYAL COMMISSION ON BANKING AND FINANCE

In view of the fact that the last federal review of the functioning of the Canadian financial system took place in 1933, and that the system has since become a significant factor in the economy, it was felt by the Winkler Credit Union Society that it might be useful to the Commission to have a report of a successful local credit union operating in a rural area.

The Winkler Credit Union is aware that a total credit union is presented by the Commission by The Credit Union League of Manitoba and The Credit Union Society of Manitoba and is acquainted with the contents which set forth a comprehensive description of credit union legislation in Manitoba and have studied it with a view to its operation in this province. These details are not repeated in this report.

Our purpose in this report is to illustrate the operation of credit union philosophy and to show where credit union principles are being applied in business practice can be beneficial to the individual, the community and the nation as a whole.

We consider that we have good legislation governing credit union in Manitoba and therefore, the Winkler Credit Union would be a representative of any credit union of its activities from a federal level. Of importance to us in Manitoba is that legislation governing credit union be liberal and flexible, so that it will be helpful in promoting our activities. We feel strongly that present provincial legislation of flexibility of identity and business practices is maintained, and that vision and inspection of credit union can be left with the government.

We would not like to see any further legislation which would interfere with our ability to mobilize funds locally for the use of local people and the local community and where all aspects of our operations and policies are under local control.

The Winkler Credit Union is located at Winkler, a town of 2,000 population, some thirty miles from Winnipeg, well connected by highway and rail. The population of the town and surrounding area is 7,000 largely of Germanic origin. The principal occupation is farming which is very diversified, including the raising of livestock, crops such as vegetables for canning, softflowers, sugar beets and potatoes, as well as the usual grains, livestock and poultry. Processing plants are located in the town with the sugar refinery located at Winnipeg. As a result of diversification, the general income of the Winkler area is considerably higher than the grain growing areas.

General in the West.



1
2
3
4 DESCRIPTION OF WINKLER (con't)

5 Winkler is a town of 2,800 which provides the usual business services
6 a farming area requires; grain elevators, feed mills, lumber dealers, stores, garages,
7 implement dealers and a bank. Principal local industries are a creamery and poultry
8 processing plant, a cannery, a fully integrated potato and vegetable firm, and a garment
9 factory employing 100 people.

10 Winkler has supported the basic principles of free enterprise - individual
11 enterprise and co-operatives prosper side by side in Winkler. Most of Winkler industry
12 is locally owned and operated.

13 HISTORY OF THE WINKLER CREDIT UNION SOCIETY

14 The Winkler Credit Union Society was formed in 1941 in a small way and had
15 194 members and \$1,000 capital at its first year-end. Very little visible progress was
16 made in the years 1941 to 1947, but in 1948 deposits increased to \$260,000 from
17 \$94,000 the previous year. Deposits continued to increase in 1949 and 1950 but
18 improvident lending policies and other financial irregularities including a defalcation
19 left the Credit Union in serious financial difficulties.

20 At this time the strength of the Credit Union was severely tested. It had
21 to be re-organized with the help and support of the members, The Central Credit Society
22 and the Government Supervisor of Credit Unions. As a result, in late 1950 a new Board
23 of Directors was elected and with the continued support of the members and others, the
24 Credit Union worked out of its difficulties. During this period the members voluntarily
25 agreed to "freeze" deposits and share capital and to forfeit the income on their equity.
26 Although the Credit Union suffered losses of around \$50,000 through bad loans and cash
27 shortages, no individual depositor suffered any loss of equity.

28 From 1951 progress was gradual until 1957 when the aggregate of shares and
29 deposits rose sharply to over \$1,000,000 from \$500,000 the year before. Since that
30 date shares and deposits have risen roughly \$400,000 per year to the present total of
over \$2,800,000 at December 31, 1961.

31 PHILOSOPHY OF OUR CREDIT UNION

32 In the words of our Manager, "The Winkler Credit Union Society Limited is
33 an independent non-profit organization in our community dedicated to the economic
34 advancement of the individual and the community and to uphold the dignity of man."

35 In today's modern jet age, we are apt to forget our neighbors and live
36 selfishly for ourselves. The common bond idea in credit unions has done much to keep
37 alive the idea of being our "brothers keeper." Credit union legislation recognizes the
38 common bond as a necessary element when a credit union is chartered.



PHILOSOPHY OF OUR CREDIT UNION (con't)

This common bond of association, and in a broad sense, a common philosophy of life, is present in the Winkler community. But it is likewise true that the credit union has helped to strengthen this common bond by giving people the opportunity to work out their problems together. Among the institutions that have done most to cement the community together into one community, the Credit Union stands out very clearly as a leader. People who are given a chance to work and solve problems together also help build individual character and a good community together.

The Winkler Credit Union has, through encouraging the habit of thrift in its members, been able to create a ready source of credit for use by its members for provident and productive purposes. Because this source of credit has been created through the united effort of many people working together and saving together, individuals have been able to improve their standard of living.

In addition to encouraging thrift and providing financial services, the credit union offers financial advice and counsel, often at a time when a member is in great need. At this time a member is more susceptible to advice much of which may be a great benefit to him in the future. The rich experience gained and accumulated over the years of service and problem solving by the Credit Union can be put to use time and again in this way. This exemplifies true brotherhood of man. Here members are helped without losing their dignity. Members are made to feel that they have a right to this advice because they are part of the Credit Union. We find that almost without fail, a borrower who has been helped later on becomes a depositor, and a strong proponent of his Credit Union.

We like the Credit Union idea and philosophy because the idea of brotherly love appeals to us. It ties in with our philosophy of life and gives us an opportunity to face our problems jointly and squarely and seek solutions together. There is strength in numbers and many individual problems are solved because of the knowledge that other people are walking by our side helping in their own small way through the Credit Union way to help us.

BENEFITS OF WINKLER CREDIT UNION TO THE INDIVIDUAL

We have already outlined the philosophical benefits of a credit union to the individual. Below we enumerate the specific benefits which a member enjoys from the Winkler Credit Union Society:

1. The Credit Union provides a convenient source of investment to members for their savings. Interest is paid on savings in the form of deposits at 2% per annum, and on funds in the form of shares at 4 1/2% per annum.



BENEFITS OF WINKLER CREDIT UNION TO THE INDIVIDUAL (con't)

2. The Credit Union acts as a temporary repository of funds and provides the usual banking services, including chequing facilities.
3. A large pool of money is available to a member for loan at an interest rate of 9%. This rate may be reduced by rebate at the end of the year. Since 1955 our interest rate has been 9%, with a rebate of either 10% or 11% thereon, for an effective rate to the borrower of just over 8% - see Appendix C.
4. Members leaving money with the Credit Union on deposit or in shares are protected against loss through the following safeguards: scrutiny by the Credit Committee on granting of loans; examination of accounts by the Supervisory Committee; bonding of employees, together with burglary and hold-up insurance; life insurance on borrowers' lives; and government audit. The Winkler Credit Union Society has also found it useful to supplement the annual government audit by engaging a firm of chartered accountants to examine the records every few years.
5. The Credit Union offers the individual the opportunity of belonging voluntarily to a democratic institution. The principle of "one member - one vote" is strictly observed. The members are encouraged to take an interest in their credit union and to attend and participate in the annual meetings. We believe our organization in itself, through its meetings, gives a member a good idea of what his rights and privileges are. We believe that an informed member makes a better citizen. We had 600 present at our last annual meeting, out of an adult membership of 2,700.
6. We consider that our Credit Union protects the interests of the individual whether he be borrower or depositor, because the total membership is made up of a good measure of both, a good balance in viewpoint is achieved.
7. In addition to being a source of advice and counsel, our Credit Union pursues an educational programme on financial matters which will make the individual member more conscious of his own affairs and thus more able to manage them.
8. The governing viewpoint of the Credit Union is for the general good of the members, and members seeking loans will be advised to seek credit elsewhere if it is in the members' interest to do so.
9. The Credit Union encourages thrift and savings.
10. The Credit Union offers an insurance program covering up to \$2,000 on savings and up to \$10,000 on borrowings. On the death or disability of a borrower, full repayment of any loan up to the maximum is made which is most beneficial to his survivors.

BENEFITS TO THE COMMUNITY

The benefits of the Winkler Credit Union to the community are as follows:

1. A large pool of local money is available to borrowers at rates of interest slightly higher than the bank rate on securities many of which are not legally acceptable to banking institutions. At December 31, 1961 the Winkler Credit Union had some \$2,460,000 out on loans to members, \$1,200,000 in the form of personal loans and \$1,260,000 in the form of loans where the security was real estate.
2. The Winkler Credit Union has become successful financially. It earned \$127,000 in 1961 before appropriations for reserves. We consider this to be a substantial saving which is retained in the community rather than flowing to some outside source of capital.
3. We believe that our educational and counselling programme has a beneficial effect on the individual and hence helps to build a better community.



BENEFITS TO THE COMMUNITY (con't)

4. Today there is much concern about the decline of the average Western town. This subject has been under study for some time by governments, economists and others. We believe that the presence of a successful credit union in a town will do much to arrest this decline.

We believe having a strong Credit Union in Winkler gives stability to the town, gives it a strong character, inspires confidence and furthers development.

5. A community with a strong credit union is thoroughly imbued with the principle of self help, and will undertake projects itself rather than seek local or senior government assistance everytime it wishes to do something.
6. The Winkler Credit Union represents its membership and is able to raise a strong voice in community and provincial affairs which would affect the membership. The Winkler Credit Union has been very active in the provincial credit union organizations.

BENEFIT TO THE NATION

1. As a curb to inflation. The Credit Union does not create capital, it mobilizes capital and distributes it in the form of provident loans to members. In the last three years our borrowings have been negligible; details of interest paid is shown on Appendix C.
2. As a grass roots movement, the Credit Union is probably in a better position than any other organization to mobilize local funds for local use. We think the Winkler Credit Union by its growth is doing an efficient job in this area. Details of this growth are shown on Appendix A.
3. There is much concern today over the influx of foreign capital. We feel our Credit Union by its efficient collection of local funds contributes greatly towards keeping local needs for outside funds at a minimum, thus releasing such outside funds for use in development elsewhere. A natural corollary to this conservation of capital is that the income thereon remains in Canada.
4. We believe that our members are good citizens as they are whether they be farmers or townspeople. We think they become better citizens as members of the Credit Union in that they not only help themselves but help others and become both community and nationally minded.

Respectfully submitted
on behalf of

THE WINKLER CREDIT UNION SOCIETY LIMITED

J. M. FROESE

PRESIDENT.

April 9, 1962
Winkler, Manitoba.



Nethercut & Young

Toronto, Ontario

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THE WINKLER CREDIT UNION SOCIETY LIMITED

SUPPLEMENTARY INFORMATION INDEX

APPENDIX

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- A. Schedule of Growth in Membership, Total Assets and Loans to Members, Years 1941 to 1961 Inclusive.
- B. Schedule of Deposits, Shares and Undivided Earnings, Years 1941 to 1961 Inclusive.
- C. Schedule Showing Allocation of Undivided Earnings and Interest on Borrowings, Years 1957 to 1961 Inclusive.
- D. Officers and Staff, March 31, 1962.
- E. Balance Sheet as at December 31, 1961.
- F. Statement of Revenue and Expenditure for the Year Ended December 31, 1961.
- G. Statement of Reserves and Undivided Earnings for the Year Ended December 31, 1961.
- H. Classification of Loans for the Year 1961.



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APPENDIX A.

THE WINKLER CREDIT UNION SOCIETY LIMITED

SCHEDULE OF GROWTH IN MEMBERSHIP, TOTAL ASSETS AND LOANS TO MEMBERS

YEARS 1941 TO 1961 INCLUSIVE

<u>Year ended December 31</u>	<u>Number of members</u>	<u>Total assets</u>	<u>Loans outstanding</u>
1941	194	\$ 1,321	\$ 1,099
1942	181	2,084	1,736
1943	237	4,151	2,858
1944	302	9,910	8,574
1945	358	26,739	10,801
1946	556	62,329	40,729
1947	979	108,540	86,649
1948	1,302	289,072	159,096
1949	1,635	492,371	418,683
1950	1,627	332,574	253,749
1951	1,563	359,875	247,403
1952	1,566	349,247	253,953
1953	1,470	375,651	296,972
1954	1,613	428,399	301,207
1955	1,806	559,371	364,504
1956	2,086	916,593	732,390
1957	2,330	1,184,995	982,096
1958	2,625	1,502,534	1,210,515
1959	2,909	1,951,814	1,609,905
1960	3,167	2,492,044	2,016,075
1961	3,431	3,016,389	2,464,260



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THE WINKLER CREDIT UNION SOCIETY LIMITED

APPENDIX B.

SCHEDULE OF DEPOSITS, SHARES AND UNDIVIDED EARNINGS

YEARS 1941 TO 1961 INCLUSIVE

Year ended December 31	Members' deposits	Members' shares	Undivided Earnings
1941	\$ 287	\$ 979	\$ 31
1942	592	1,318	25
1943	2,406	1,505	192
1944	6,847	2,525	426
1945	22,186	3,260	524
1946	54,664	5,733	1,139
1947	94,129	11,374	2,085
1948	259,348	20,702	6,705
1949	408,047	39,342	14,636
1950	269,485	43,905	7,358
1951	292,407	43,971	7,625
1952	280,864	46,734	8,039
1953	248,024	103,723	7,086
1954	167,339	237,306	10,402
1955	159,106	374,173	13,646
1956	264,059	604,847	20,410
1957	291,009	762,181	29,758
1958	354,721	1,058,260	41,690
1959	469,816	1,375,164	53,674
1960	569,287	1,769,662	79,427
1961	550,491	2,267,371	102,924

NOTE: Undivided earnings are after deduction of 20% to reserves
as required by statute and after interest on members deposits
of 2% on minimum quarterly balances.

APPENDIX C.THE WINKLER CREDIT UNION SOCIETY LIMITEDSCHEDULE SHOWING ALLOCATION OF UNDIVIDED EARNINGSYEARS 1957 TO 1961 INCLUSIVE

<u>Undivided Earnings</u>		<u>Allocated in Year following to</u>	
<u>Year</u>	<u>Amount</u>	<u>Interest on shares</u>	<u>Rebate of loan interest</u>
1957	\$ 29,758	\$23,898	\$ 5,784
1958	41,690	31,194	7,987
1959	53,674	42,814	10,372
1960	79,427	62,819	15,288
1961	102,924	85,084	19,557

ALLOCATION IN PERCENTAGE TERMS

	<u>Rate % on shares</u>	<u>Rebate of interest charged on loans</u>			
		<u>Rebate</u>		<u>Interest originally charged on loan</u>	<u>Effective cost to borrower</u>
1957	4%	10%	of	9%	8.10%
1958	4%	10%	of	9%	8.10%
1959	4%	10%	of	9%	8.10%
1960	4 1/2%	11%	of	9%	8.01%
1961	4 1/2%	11%	of	9%	8.01%

By statute, interest paid on shares cannot exceed 5%.

INTEREST ON BORROWINGS

1957	\$3,782
1958	4,456
1959	86
1960	274
1961	377

THE WINKLER CREDIT UNION SOCIETY LIMITEDAPPENDIX D.OFFICERS AND STAFFMARCH 31, 1962

<u>Board of Directors:</u>	<u>Occupation</u>	<u>Years of Service</u>
J. M. Froese, Winkler, Man. President	Farmer, Member Legislative Assembly, Rhineland	12 years
Johann Peters, Gnadenthal, Man.	Farmer	4 years
Jake F. Peters, Winkler, Man.	Manager, H. Gladstone & Sons	6 years
Peter Wiebe, Winkler, Man.	Manager, Winkler Co-op Creamery Ltd.	4 years
H. W. Wiebe, Morden, Man.	Farmer	15 years
Henry Kuhl, Winkler, Man.	Farmer, Councillor, Town of Winkler	4 years
G. J. Sawatzky, Winkler, Man.	B. A. Oil Dealer	3 years
<u>Credit Committee:</u>		
O. R. Gruener, Winkler, Man.	Farmer, Reeve of Municipality of Stanley	12 years
J. J. F. Goertzen, Winkler, Man.	Farmer	6 years
John J. Elias, Winkler, Man.	Farmer, Manitoba Sugar Co-fieldman	15 years
Peter Dueck, R.R.#2, Winkler, Man.	Farmer	9 years
J. Peter Dyck, Winkler, Man.	Farmer	1 year
<u>Supervisory Committee:</u>		
H. W. Bergen, Winkler, Man.	Manager, Winkler Co-op Service	6 years
H. H. Janzen, Winkler, Man.	General Insurance Agent	1 year
Jeene Wolters, Winkler, Man.	Accountant, Winkler Co-op Creamery	1 year
<u>Staff:</u>		
H. F. Wiebe	Manager	12 years
F. G. Dyck	Assistant Manager	10 years
Jake Dyck	Chief Cashier	5 years
Frank Peters	Cashier	3 years
Anne Goertzen	Bookkeeping machine operator	6 years
Irene Hiebert	Stenographer	2 years
Rose Hildebrand	Clerk	2 years



Nethercut & Young

Toronto, Ontario

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THE WINKLER CREDIT UNION SOCIETY LIMITED

APPENDIX E.

(Incorporated under the laws of Manitoba)

BALANCE SHEET AS AT DECEMBER 31, 1961

(with 1960 figures for comparison)

ASSETS

	<u>1961</u>	<u>1960</u>
CASH AND INVESTMENTS:		
Cash on hand and in bank.....	\$ 382,162.05	\$ 329,617.63
Investments - at cost:		
Shares in central credit societies.....	44,265.00	44,265.00
Government and municipal bonds.....	<u>72,925.64</u>	<u>44,902.44</u>
Total cash and investments.....	<u>499,352.69</u>	<u>418,785.07</u>
LOANS TO MEMBERS:		
Personal.....	1,204,454.22	1,108,284.97
Real estate.....	<u>1,259,805.75</u>	<u>907,789.67</u>
Total loans to members.....	<u>2,464,259.97</u>	<u>2,016,074.64</u>
FIXED ASSETS - at cost:		
Land.....	6,350.00	6,350.00
Building.....	46,937.78	47,737.78
Parking lot.....	2,183.15	2,183.15
Furniture and fixtures.....	<u>15,450.16</u>	<u>16,976.16</u>
Accumulated depreciation.....	<u>70,921.09</u>	<u>73,247.09</u>
Net fixed assets.....	<u>20,391.79</u>	<u>18,657.57</u>
Net fixed assets.....	<u>50,529.30</u>	<u>54,589.52</u>
OTHER ASSETS:		
Prepaid Credit Union League dues.....	1,900.00	1,900.00
Prepaid insurance.....	<u>347.50</u>	<u>695.00</u>
Total other assets.....	<u>2,247.50</u>	<u>2,595.00</u>
TOTAL.....	<u>\$3,016,389.46</u>	<u>\$2,492,044.23</u>

LIABILITIES

DEPOSITS BY MEMBERS.....	\$ 550,491.58	\$ 569,286.82
DUE TO EMPLOYEE RETIREMENT PLAN.....	-	4,777.50
Total liabilities.....	<u>550,491.58</u>	<u>574,064.32</u>
MEMBERS' CAPITAL, RESERVES AND UNDIVIDED EARNINGS:		
Share capital at credit of members.....	<u>2,267,371.43</u>	<u>1,769,661.95</u>
Reserves:		
General.....	85,561.19	59,049.15
Contingent.....	<u>10,041.46</u>	<u>9,841.46</u>
Undivided earnings.....	<u>95,602.65</u>	<u>68,890.61</u>
Undivided earnings.....	<u>102,923.80</u>	<u>79,427.35</u>
TOTAL.....	<u>\$3,016,389.46</u>	<u>\$2,492,044.23</u>



APPENDIX F.

THE WINKLER CREDIT UNION SOCIETY LIMITED
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 1961
(with 1960 figures for comparison)

	<u>1961</u>	<u>1960</u>
REVENUE:		
Interest.....	\$194,882.70	\$158,712.61
Income from investments.....	6,652.30	4,954.09
Rental.....	1,302.00	2,196.00
Sundry income.....	4,592.46	2,773.31
CUNA mutual insurance dividends.....	<u>3,978.40</u>	<u>3,154.81</u>
Total revenue.....	<u>211,407.86</u>	<u>171,790.82</u>
EXPENDITURE:		
Interest on members' deposits.....	5,219.30	4,377.31
Salaries.....	27,310.05	23,995.98
Postage, printing and stationery.....	3,229.13	3,457.51
Light and telephone.....	1,027.56	868.16
Travelling and officers' expenses.....	2,023.77	2,162.40
League and chapter dues - net.....	1,627.27	1,441.57
Insurance and bonding.....	26,881.87	21,858.95
Depreciation.....	4,110.22	4,262.83
Advertising and education.....	2,636.86	1,461.90
Cheque clearing service.....	3,016.22	2,846.54
Building maintenance and taxes.....	3,179.38	2,663.21
Employee retirement plan contributions.....	1,272.00	708.00
Transfer to contingent reserve - provision for plate glass insurance.....	200.00	200.00
Other expenses.....	<u>2,670.32</u>	<u>2,690.50</u>
Total expenditure.....	<u>84,403.95</u>	<u>72,994.86</u>
EXCESS OF REVENUE OVER EXPENDITURE FOR THE YEAR.....	<u>127,003.91</u>	<u>98,795.96</u>
TRANSFER TO GENERAL RESERVE - 20%.....	<u>25,400.78</u>	<u>19,856.84</u>
UNDIVIDED EARNINGS FOR THE YEAR.....	<u>\$101,603.13</u>	<u>\$ 78,939.12</u>



APPENDIX G.

THE WINKLER CREDIT UNION SOCIETY LIMITED
STATEMENT OF RESERVES AND UNDIVIDED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1961
(with 1960 figures for comparison)

RESERVES

	<u>General</u>	<u>1961</u> <u>Contingent</u>	<u>Total</u>	<u>1960</u> <u>Total</u>
BALANCE BEGINNING OF YEAR.....	\$59,049.15	\$ 9,841.46	\$68,890.61	\$49,798.91
Add:				
Entrance fees.....	50.25	-	50.25	53.70
Bad loan recoveries.....	1,061.01	-	1,061.01	281.16
Refund of plane insurance.....	-	-	-	400.00
Appropriation for plate glass insurance.....	-	200.00	200.00	200.00
Transfer from net earnings - 20%	<u>25,400.78</u>	<u>-</u>	<u>25,400.78</u>	<u>19,856.84</u>
	<u>85,561.19</u>	<u>10,041.46</u>	<u>95,602.65</u>	<u>70,590.61</u>
Deduct:				
Disbursements - plane insurance	-	-	-	200.00
- audit	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500.00</u>
BALANCE END OF YEAR.....	<u>\$85,561.19</u>	<u>\$10,041.46</u>	<u>\$95,602.65</u>	<u>\$68,890.61</u>

STATEMENT OF UNDIVIDED EARNINGS

	<u>1961</u>	<u>1960</u>
BALANCE BEGINNING OF YEAR.....	\$ <u>79,427.35</u>	<u>\$53,674.16</u>
Deduct appropriations during the year:		
Interest on shares.....	62,818.70	42,814.17
Rebate on loan interest.....	<u>15,287.98</u>	<u>10,371.76</u>
	<u>78,106.68</u>	<u>53,185.93</u>
BALANCE OF PREVIOUS YEARS' EARNINGS UNAPPROPRIATED.....	1,320.67	488.23
UNDIVIDED EARNINGS FOR THE CURRENT YEAR.....	<u>101,603.13</u>	<u>78,939.12</u>
BALANCE END OF YEAR.....	<u>\$102,923.80</u>	<u>\$79,427.35</u>



Nethercut & Young

Toronto, Ontario

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APPENDIX H.

THE WINKLER CREDIT UNION SOCIETY LIMITED

CLASSIFICATION OF LOANS FOR THE YEAR 1961

	No. of Loans made	Amount loaned
1. Farm machinery and repairs	117	\$ 111,990.77
2. Purchase of livestock	95	61,569.14
3. Seed grain and seeding supplies	23	8,750.00
4. Harvest and threshing	1	200.00
5. Other farm expenses including wages	279	140,254.27
6. Real estate mortgage loans	217	891,023.30
7. Land and buildings (purchase and repairs other than mortgage loans)	176	216,672.91
8. Estate loans	4	5,255.00
9. Automobiles and trucks - purchase and repairs	317	303,489.03
10. Furniture and clothing	338	66,204.30
11. Insurance - life, fire, etc.	3	450.00
12. Taxes	28	9,087.00
13. Investments - bonds, debentures, etc.	10	8,850.00
14. Hospital, medical, dental	30	4,568.00
15. Educational	61	20,685.19
16. Vacation	10	1,415.00
17. Loans to co-operatives	1	8,726.67
18. Business operations (merchandise, etc. but not debts and buildings)	44	101,325.00
19. Consolidation of debts	100	93,633.90
20. Miscellaneous	276	65,717.40
21. Churches	5	11,000.00
TOTALS	<u>2,135</u>	<u>\$2,130,866.88</u>

Royal Commission on Banking and Finance

Hearings
held at

TORONTO

Vol.

11

Date.

April 12 1962



Official Reporters
J. J. Nethercut and R. J. Young
Toronto, Ont.



Nethercut & Young
Toronto, Ontario

Toronto, Ontario,
April 12th, 1962.

ROYAL COMMISSION ON
BANKING AND FINANCE

I N D E X

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ROYAL COMMISSION ON BANKING
AND FINANCE

Hearings held at Toronto,
Ontario, on Thursday,
April 12th, 1962.

THE COMMISSION

The Honourable Dana Harris Porter
Chief Justice of Ontario
Toronto, Ontario - Chairman

Mr. W. Thomas Brown, M.B.E.
Investment Dealer
Vancouver, British Columbia

Mr. James Douglas Gibson, O.B.E.
Banker
Toronto, Ontario

Mr. Gordon L. Harrold
Agriculturalist
Calgary, Alberta

Mr. Paul H. Leman
Corporation Executive
Montreal, Quebec

Mr. John C. MacKeen
Corporation Executive
Halifax, Nova Scotia

Dr. W.A. Mackintosh
Vice-Chancellor
Queen's University
Kingston, Ontario

Mr. H.A. Hampson

- Secretary

Mr. Gilles Mercure

- Joint Secretary



Toronto, Ontario
Thursday, April 12, 1962.

--- On resuming at 9.15 A.M.

THE CHAIRMAN: I shall now call the meeting to order. The sittings of this Royal Commission on Banking and Finance are now opening in Toronto. Sittings have already been held in each of the western provinces.

The first submission before us is that of the Ontario Credit Union League.

Mr. Hallinan, you are General Manager, and with you are a number of your other officials who will no doubt participate in answering questions or in any discussions that may follow.

Unfortunately I shall have to withdraw on this occasion because I have a long standing engagement out of town which I could not put off, and Dr. Mackintosh, Queen's University, will take the Chair. However, I may assure you that I have had many contacts with the credit unions of Ontario, and I am thoroughly familiar with the background, and will have an opportunity of reading the evidence when it is transcribed as to any further information that is put before the Commission.

Therefore I shall now retire and ask Dr. Mackintosh to take the Chair.

--- The Chairman withdrew.

THE ACTING CHAIRMAN: Mr. Hallinan, would you proceed.

MR. HALLINAN: Mr. Chairman, I would like



1 to take this opportunity of expressing our appreci-
2 ation of being here and, in the absence of any
3 political dignitaries, I would have the honour of
4 welcoming the Commission to the City of Toronto.

5 I have associated with me today key
6 personnel who have been largely responsible for
7 the preparation of our submission. I would like
8 to explain the absence of our President and Vice-
9 President. Our President is employed with the
10 Windsor Daily Star, and it is impossible for him
11 to get away to the Commission. Our Vice-President
12 Mr. Davidson is a high school teacher in Kenora
13 and he found it impossible to be here because of
14 his academic commitments.

15
16 SUBMISSION OF THE ONTARIO CREDIT
17 UNION LEAGUE LIMITED

18
19 APPEARANCES

20 Miss Mary Teahen	- League Office 21 Manager and Accountant.
22 Mr. Glenn J Raycraft	- Supervisor 23 Toronto Field Staff.
24 Mr. John M. Homer	- Director of 25 Education and Organization.
26 Mr. John H. F. Burton	- Assistant 27 Supervisor of Examinations.
28 Mr. John M. Hallinan, B.A.	- General 29 Manager.

30



1 Mr. Donald Campbell, B.A.- Assistant
2 Director of
3 Education and
4 Organization.

5 Mr. James J. Turley - Director of
6 Field Service.

7 Mr. Gus Harris - Director of
8 Public Relations
9 and Publications.

10 --- Mr. Hallinan read the summary of brief.

11 ACTING CHAIRMAN: Thank you, Mr. Hallinan.
12 Are there any questions that the members of the
13 Commission wish to ask?

14 COMMISSIONER BROWN: Mr. Chairman, may I
15 start off by exploring a little bit the common bond
16 which we have been discussing understandably with
17 other credit unions across Canada. Particularly I
18 would like to ask about the common bond in the
19 community credit unions. We noticed that in your
20 brief you mention that you do not establish a
21 community credit union where the local population
22 is in excess of 6,000. How is this figure picked
23 out?

24 MR. HALLINAN: To be quite honest with
25 you, sir, that figure was more or less of an
26 arbitrary one that was agreed between the League
27 and the Department several years ago. Now,
28 admittedly there are some community credit unions
29 in Ontario where the population is in excess of
30 6,000.

COMMISSIONER BROWN: Were they established
after it was expressed as 6,000 or did the population



1 come after the credit union?

2 MR. HALLINAN: It came after the credit
3 union in two or three instances.

4 COMMISSIONER BROWN: In this sort of
5 credit union then, anybody in the community can
6 come in and join?

7 MR. HALLINAN: That is correct.

8 COMMISSIONER BROWN: What happens when they
9 move away from the community?

10 MR. HALLINAN: Well, under the standard
11 by-laws of the interior credit unions, when the
12 member ceases to have the qualifications of the
13 primary bond, he may retain his membership in
14 the credit union then at the discretion of the
15 board of directors.

16 COMMISSIONER BROWN: Can you give us
17 in your opinion what you think the more important
18 factors have been in the tremendous growth that has
19 taken place in credit unions?

20 MR. HALLINAN: I would be delighted to
21 attempt to answer the question, sir. I think one
22 reason might be the increase in population since
23 post-war years; the effect of legislation which
24 has been revised at intervals to meet the changing
25 requirements; the fact that the credit union move-
26 ment is a movement of people rather than dollars
27 and cents, and, like any good organization, tends to
28 develop.

29 I think one of the reasons for the develop-
30 ment of our industrial credit unions has been the



1 rather tremendous industrial development in this
2 province since the last war, together with the
3 fact that more people become interested; the develop-
4 ment of the League and, through the League, by our
5 chapters.

6 COMMISSIONER BROWN: Those are all in the
7 brief, this list. I was wondering if you have any
8 that you regard as being the more important.

9 MR. HALLINAN: I cannot think of any, sir,
10 other than those mentioned in the brief.

11 COMMISSIONER BROWN: In a going credit union
12 do you find or have you any idea of the proportion of
13 people who join as borrowers as against the people
14 who join as depositors or shareholders?

15 MR. HALLINAN: In anticipation of that
16 question, sir, we made a survey, and we find that for
17 every - these are rough figures, but I think indicative
18 for every hundred savers there are 40 borrowers.

19 COMMISSIONER BROWN: 40 borrowers for every
20 hundred savers?

21 MR. HALLINAN: That is correct, from our
22 statistics.

23 COMMISSIONER BROWN: It is a little higher
24 percentage than the figures we have received else-
25 where. Which in your opinion provides the strongest
26 stability, the industrial type of credit union or the
27 community type, from the point of view that the
28 industrial is possibly subject to more specific
29 crises? If you had a strike or unemployment, the
30 whole credit union will be involved, whereas perhaps



1 the community would not be affected in the same degree?
2 Do you have any comments on that?

3 MR. HALLINAN: I think it is rather difficult
4 to differentiate, because, as you suggest, when a
5 strike occurs or something of that nature it seems
6 to weld them more closely together, but on the other
7 hand a community credit union is not subject to the
8 influence of strikes or lay-offs or a slight recession.

9 COMMISSIONER BROWN: Have you had any ex-
10 perience with an industrial type of credit union
11 that has been faced with this situation?

12 MR. HALLINAN: Yes, we have had a few
13 experiences.

14 COMMISSIONER BROWN: What happens?

15 MR. HALLINAN: The credit union first of
16 all - we recommend that the credit union calls a
17 meeting of the membership, explains the condition
18 and sets up a certain policy that would guide the
19 credit union. They might possibly put a maximum
20 on the amount of the loans, only for very urgent
21 purposes, and on some of these occasions the credit
22 union, in order to guide through the crisis, would
23 borrow money from the League Central. We make it
24 quite clear that the credit union should not take
25 sides either with management or with labour, that
26 we are perfectly neutral in the thing. I do not
27 want to appear facetious, but many of these strikes,
28 the only person who has won has been the credit
29 union.

30 COMMISSIONER BROWN: I suppose there would



1 be a tendency to cause some withdrawal of deposits?

2 MR. HALLINAN: Yes, that has happened.

3 COMMISSIONER GIBSON: On this question of
4 growth, I would like to hear more about it if you
5 could elaborate a little, because the growth has
6 obviously been terrific. You have been growing,
7 doubling at the rate of every three or four years
8 in terms of assets, and this suggests a very
9 dynamic type of organization. It suggests that
10 you have been following the ideas of credit unions
11 which you make clear in the brief. Could you say
12 a little more about the motivation of the people
13 that join? Some of them join because they work
14 in a factory or they are members of a particular
15 trade union, but what is the thinking of these
16 groups as they go into your organization? Are
17 they figuring on getting money at a more reason-
18 able rate of interest, fair return? Would you
19 elaborate on that a little?

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1 MR. HALLINAN: I think there are many
2 motives, of course, that are responsible for the
3 development of credit unions. Basically I think
4 people of the present day, in our opinion, and in our
5 economic position are becoming much more conscious
6 of economic security for themselves and their families
7 and I think when the credit union ideal is presented
8 to them they can see: "Here is an instrument of which
9 I am a part owner, that I can achieve a measure of
10 economic security for myself through my regular
11 savings", because one of the foundation stones in
12 the development of the credit union is the encourage-
13 ment of thrift.

14 COMMISSIONER GIBSON: There are lots of
15 other people trying to do much the same thing but you
16 seem to be very successful at it.

17 MR. HALLINAN: There seems to be one
18 reason in the industrial credit union which is the
19 payroll deduction plan which many of our industrial
20 credit unions have. We all, from time to time,
21 possibly have occasion to borrow money and they
22 realize that they can get a fairly good deal from
23 their own credit unions. I think these two are the
24 basic factors but I do think payroll deductions in
25 this industrialized province has had tremendous
26 effect on the rapid growth of our savings.

27 COMMISSIONER GIBSON: In your growth in the
28 past three or five years has the major factor been
29 the development of these industrial credit unions,
30 employment unions etc.?



1 MR. HALLINAN: Yes, largely in Ontario
2 the industrial credit union has been in the forefront
3 but by the same token we have many ethnic groups,
4 new Canadians, that come over.

5 COMMISSIONER GIBSON: That would again
6 increase your industrial unions a bit, wouldn't it?

7 MR. HALLINAN: To a degree.

8 COMMISSIONER GIBSON: Do you see this kind
9 of rate of growth continuing?

10 MR. HALLINAN: Yes I do.

11 COMMISSIONER GIBSON: You mean doubling
12 every three or four years?

13 MR. HALLINAN: We hope so.

14 COMMISSIONER GIBSON: You will be pretty
15 rich in a short time. Don't you think -- what I am
16 trying to get is that you have had a very rapid rate
17 of growth and I take it this represents in part the
18 selling of the credit union idea and the acceptance
19 of the credit union idea particularly in factories
20 or these occupational unions. Have you given any
21 thought to the fact that there may not be many of
22 that particular area left?

23 MR. HALLINAN: I feel we have just scratched
24 the surface. Our job won't be done until every citizen
25 of Ontario is a credit union member and we only have
26 half a million now.

27 COMMISSIONER GIBSON: If you have half a
28 million that means you have what -- about 15 per
29 cent of the adults?

30 MR. HALLINAN: Yes, I would say possibly



1 15 per cent.

2 COMMISSIONER LEMAN: Mr. Hallinan, you
3 say you have just scratched the surface and yet for
4 the province as a whole there are a very large number
5 of credit unions, a very large number of units which
6 in themselves are not very large individually. Would
7 you think that for the good of the system there would
8 be a tendency towards more concentration rather than
9 a continuation of the multiplication of small units?

10 MR. HALLINAN: You mean, in other words,
11 amalgamating several small credit unions into one
12 large one?

13 COMMISSIONER LEMAN: Well, perhaps in that
14 fashion.

15 MR. HALLINAN: That is a rather difficult
16 question to approach because recognizing the fact
17 of the common bond that would militate against that
18 suggestion, I would say.

19 COMMISSIONER LEMAN: But don't you think --
20 we will start talking a little later about this
21 supervision of the system and the problems which
22 it involves -- but certainly from that point it would
23 make things easier?

24 MR. HALLINAN: Yes, it would in the field
25 of supervision.

26 COMMISSIONER LEMAN: In paragraph 43 I
27 believe there is the mention of the fact that
28 corporations can be members of credit unions. Are
29 there some in fact or not?

30 MR. HALLINAN: No, not to my knowledge. I don't



1 know of any corporations. Perhaps Mr. Raycraft
2 could speak on that point.

3 MR. RAYCRAFT: If I may, I might suggest
4 that every corporation usually has one credit union
5 but sometimes becomes a member of another credit
6 union. In other words, a corporation becomes a
7 member of a credit union for one or more purposes
8 such as perhaps depositing some extra funds that they
9 do not themselves require. This is the exception
10 rather than the rule but there are instances of it.

11 COMMISSIONER LEMAN: And what would be the
12 purpose in a case like this?

13 MR. RAYCRAFT: Well, where it has
14 happened usually this way one credit union wishes
15 to assist another credit union for some particular
16 purpose by depositing funds which it does by
17 becoming a member of the other credit union so
18 that it may go there because it is only members
19 who can borrow from a credit union and so for a
20 corporation to borrow from a credit union or a
21 credit union to borrow from another credit union
22 it must become a member of it.

23 COMMISSIONER LEMAN: Would the League
24 management encourage that as a development or
25 would it prefer that the lines remain directly
26 from credit unions to the Central or to the League
27 itself?

28 MR. HALLINAN: The official policy of the
29 League is to discourage this type of thing. We
30 prefer it to deal directly with the League.



1 COMMISSIONER GIBSON: There are a large
2 number of small unions. On page 89 of the brief
3 is a list, 1027 in the Ontario League of Credit
4 Unions and 580; in other words, half of them are
5 credit unions with \$50,000 or less in the way of
6 assets. Is this the typical situation or is it
7 simply a reflection of the rapidity of your growth
8 and most of these will get larger as time goes on?

9 MR. HALLINAN: I would say it is a
10 reflection of our growth and we hope we will expand.

11 COMMISSIONER GIBSON: The bulk of these
12 small ones will be occupational unions?

13 MR. HALLINAN: Yes, that is correct.

14 COMMISSIONER GIBSON: What sort of normal
15 pattern of growth, if there is any such thing, is
16 there? I realize these are different sizes but
17 would you expect most of these or half of these to
18 move out of this size into quite a bit bigger group
19 in the next two or three years? Is this the way
20 most of your growth will occur, to have these little
21 ones become larger ones?

22 MR. HALLINAN: Could I ask Mr. Burton to
23 answer that?

24 MR. BURTON: I think it would be generally
25 true to say that the majority of our credit unions
26 have been growing at a rate between 5 to 10 per cent
27 per year. We cannot strike an average there but we
28 expect that probably the majority of these small
29 credit unions, under \$50,000 within two or three years
30 will be at least in the next class and some of them



1 will be in the \$150,000 to \$ $\frac{1}{2}$ million class judging
2 by past experience.

3 Many of them are parish credit unions,
4 new credit unions in small industrial groups or
5 small communities which have been organized within
6 the last two or three years.

7 COMMISSIONER GIBSON: The greater part
8 of them, I suppose, would be relatively new, these
9 small ones?

10 MR. BURTON: Not the greater part, no --
11 maybe 50 new credit unions a year, between 50 and
12 75 a year. Some of them, quite a few of them, would
13 be maybe 10 years old or more but some by their very
14 nature may not grow very large although we have
15 reasonable reason to expect the large majority
16 will be growing in this group.

17 COMMISSIONER GIBSON: Do many of these ones
18 fold up after a period of trial?

19 MR. BURTON: I think a fair answer to that
20 question would be that those formed within the last
21 few years, there is much less likelihood of them
22 folding up than those formed in an earlier period
23 when perhaps we did not have too much experience in
24 organizing and forming new credit unions and perhaps
25 may at times have been a little over-zealous. But
26 those that have been organized within the last few
27 years we feel strongly there is far less likelihood
28 of them folding up.

29 ACTING CHAIRMAN: Could I ask a question
30 in another direction, Mr. Hallinan? We have met



1 the credit unions in four provinces now and find
2 some variations in the organizations. I notice
3 in your brief that your member unions borrow from
4 two central organizations in this province, one,
5 I think, the Central Department of the League
6 and the other the Ontario Co-Operative Credit
7 Society. We are having a brief from the Ontario
8 Co-Operative Society a little later. I notice from
9 some place in the brief that there is more than one
10 credit union league in the province. Is that correct?

11 MR. HALLINAN: Yes, Mr. Chairman.

12 ACTING CHAIRMAN: Could you tell us a
13 little about that just so that we will know our
14 way around among the credit unions of Ontario?

15 HALLINAN: First of all, I will answer your
16 second question first. There are actually four so-
17 called leagues. There is our league, there is the
18 Federation de Caisse Populaires de Ottawa which
19 comprises many French speaking Caisse Populaires
20 organizations and there is the Regionals of Caisse
21 Populaires in the Ontario Co-Op which are relatively
22 small in comparison with our League. Does that
23 answer your question?

24 ACTING CHAIRMAN: Yes. The division is
25 entirely between what you might call the French
26 speaking unions and the ordinary credit unions?

27 MR. HALLINAN: Yes, there is only one
28 English speaking League and that is the Ontario
29 Credit Union League Limited.

30 To reply to your first question I will



1 attempt to give you some idea of the apparent duality
2 between the two Centrals. Up until the mid-1940's
3 there was only the Central Credit Department of
4 the Ontario Credit Union League which is limited
5 by our charter, by law, to deal only with credit
6 unions that^{are} members of the Ontario Credit Union
7 League and in the 1940's the association between
8 the Credit Union Movement and the Co-Operative
9 Movement was much closer than it is today and along
10 about 1947 or 1948 due to the wartime credit
11 regulations funds were building up in our league
12 Central and many of the directors of our board felt at
13 that time that they would like to have some of these
14 funds invested in the Co-Operative Movement. It
15 could not be done legally under our charter. There
16 are two ways in which it could have been done. We
17 could have sought amendments to the Credit Unions
18 Act in the provincial Legislature permitting the
19 League to loan funds not only to credit unions but
20 to co-operative or the other alternative would be
21 to incorporate another organization that would be
22 able to do it and the directors of the day so voted,
23 to seek the incorporation by a private bill of
24 another organization and that is the Ontario
25 Co-Operative Credit Society. That was done and the
26 two of them have gone their separate ways since.
27 In fact, there is competition. They are competing
28 with us for surplus funds of credit unions, they
29 are competing with us for lending money to credit
30 unions.



1 ACTING CHAIRMAN: Thank you.

2 COMMISSIONER GIBSON: There is a little
3 difference, I take it from the brief, and some of
4 the comments in the philosophy of the two Centrals
5 too. Is your Central more traditional from a
6 credit union point of view? Would you like to say
7 anything about this?

8 MR. HALLINAN: Well, we may be more
9 traditional or more conservative (I am not speaking
10 politically) but our league Central is what we call
11 a credit union for credit unions. We do not even
12 offer primary checking and, of course, we have a
13 policy in our League against secondary checking.
14 It is simply a depository for those credit unions
15 who are our members who can deposit their surplus
16 funds by cheque and if the credit union wants to
17 borrow money under our conditions they can and we
18 issue a cheque drawn on our own bank for it.

19 We have one simple interest rate right
20 across the board. I think our terms of repayment
21 are generally different than in the Co-operative
22 Credit Society. Our loans are usually for two
23 years with a straight $5\frac{1}{2}$ per cent.

24 COMMISSIONER GIBSON: This is a loan -- you
25 do not have line of credit, so to speak, with the
26 credit unions; you would make them a specific loan
27 and they would use it all or would this go up and
28 down?

29 MR. HALLINAN: It goes up and down but
30 it is regulated, of course, by the Credit Unions Act.



1 because, as the Chairman pointed out, the 6 per cent
2 of the credit unions are using it anyway even though
3 it is contrary to our policy. When we suggest
4 policy it is a suggestion, not a directive. So
5 if they insist on it we maintain that there should
6 be certain controls and we are in agreement with the
7 proposed legislation concerning secondary checking.

8 COMMISSIONER BROWN: What sort of controls
9 do you envisage?

10 MR. HALLINAN: I think the regulations
11 will suggest that a credit union must be of a
12 certain size in assets.

13 COMMISSIONER BROWN: What size do you think?

14 MR. HALLINAN: It is either going to be
15 \$100,000 or \$200,000. Now, as I say, this will
16 be coming before the Legislature some time this
17 year, we expect. All the credit unions must have
18 at least one full-time employee. They should engage
19 the services of an auditor, and outside auditor
20 in addition to the supervision that the Department
21 of Insurance and the League gives them. These
22 are the types of regulation that we understand
23 are going to be submitted.

24 COMMISSIONER BROWN: Have those credit
25 unions that have this privilege found that it has
26 resulted in an increase in their deposits and
27 share capital?

28 MR. BURTON: Mr. Chairman, it is rather
29 difficult to say yes to that question because although
30 the deposits may be increasing, that to some extent



1 is offset by the liquidity requirements of those
2 having personal checking through the Ontario
3 Co-Operative Credit Society because 25 per cent
4 of those members' deposits must be on deposit
5 with the O.C.C.S. and there are certain other
6 requirements but I think it would be fair to say
7 that those credit unions generally which have
8 secondary checking do increase in some measure
9 deposits with the credit union but it is more
10 difficult to assess what the practical value of
11 increased deposits is because of the additional
12 liquidity requirement.

13 COMMISSIONER LEMAN: Mr. Hallinan, a few
14 minutes ago you said that it would be nice if
15 every citizen of this province became a member of
16 the credit unions. Before I let my imagination
17 dwell too much on what the result of this would be I
18 would like to ask you a question that you cannot
19 probably answer from statistics because people do
20 not have to tell you what their total savings are.
21 But would you have any idea if in the majority of
22 cases when a man becomes a member of the credit
23 union does the credit union attract all his free
24 savings or only a portion of them or what?

25 MR. HALLINAN: I would say from experience
26 it by no means attracts all his savings because I
27 fancy practically every credit union member has a
28 bank account as well. In fact, let us look at it
29 the other way; I have known of cases where a person
30 has never had a bank account until he became a



1 credit union member.

2 COMMISSIONER LEMAN: Would you guess why
3 this phenomenon takes place?

4 MR. HALLINAN: I would say largely through
5 ignorance. In many cases a person is not aware of
6 the value of saving money.

7 COMMISSIONER LEMAN: I am talking about
8 why he wants to have a bank account besides his
9 savings in the credit union unless it is because of
10 this checking business?

11 MR. HALLINAN: That is one suggestion,
12 generally because of that.

13 COMMISSIONER LEMAN: Well then, what
14 do you think would be the result if a checking
15 privilege was extended throughout the system?

16 MR. HALLINAN: You mean if we extended
17 checking service?

18 COMMISSIONER LEMAN: Yes.

19 MR. HALLINAN: I think we would be
20 duplicating services which in many cases are
21 adequately rendered by the chartered banks.

22 COMMISSIONER BROWN: I notice that not
23 only is there no legal requirement for liquidity
24 reserves but you are also contending that it is not
25 necessary to have any legal requirements. Presumably,
26 the credit unions operate on the basis of having
27 some sort of liquidity reserve. I notice that
28 the average is something like 4. something in
29 cash and 4. something else in deposits with the
30 Central and that is the average which means that



1 half of them are above the average and the other
2 half below the average. To how low do some of them
3 go and what do you regard as rock bottom and why?

4 MR. BURTON: Well, Mr. Chairman, this
5 whole question of liquidity is a rather peculiar
6 one in the way in which it is wrapped up with loaning
7 or borrowing by credit unions. So that if a credit
8 union at one stage has no liquidity they may
9 immediately begin steps to borrow under the powers
10 given to them by the Credit Unions Act and use some
11 of that borrowed money for further loans and retain
12 some of it for liquidity. As you have said, the
13 average for one thousand odd credit unions in
14 1960 was almost 10 per cent liquid assets cash on
15 hand, in the banks and liquid investments and
16 very few from our experience of the credit unions
17 ever reach anywhere near 50 per cent borrowing which
18 is the statutory limit, that is, 50 per cent of their
19 members' equity.

20 Of those that borrow the large majority
21 seldom go beyond 25 per cent so that even if at
22 some time during the year in high loan periods,
23 higher demand periods for loans, their liquidity
24 is low they have that reserve of borrowing to take
25 advantage of if they wish and so the fact is at
26 any one time the liquidity may only be 1 per cent.
27 If their borrowing is only 10 per cent of their
28 members' equity the low liquidity does not have
29 much meaning.

30 COMMISSIONER BROWN: You mentioned



1 members' equity. As I read it it is 50 per cent
2 of the share capital and deposits and surplus.

3 MR. BURTON: Yes, that is perfectly true.
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1 COMMISSIONER BROWN: Can you really class
2 the deposits as equity? If they are withdrawable on
3 demand, they are almost loans.

4 MR. BURTON: In credit unions in Ontario
5 there is not much difference between deposits and
6 shares. All the money that members put in is easily
7 withdrawable. Although it is true under the stand-
8 ard by-laws, 60 days notice can be required for
9 withdrawal of shares and 30 days notice for deposits,
10 in actual practice the vast majority of credit union
11 members can come into the credit union office and
12 withdraw either shares or deposits on demand. So
13 the whole of the members' investment is very liquid.

14 COMMISSIONER BROWN: Then, this could mean
15 the credit union could be very quickly squeezed?
16 Say they were up to very near 50 per cent and members
17 wanted to come in and withdraw deposits, they would
18 not only have difficulty finding the money to pay the
19 deposits, but it would also reduce their borrowing
20 capacity?

21 MR. BURTON: That is why the credit unions
22 very rarely go beyond 25 per cent, and why the League
23 itself does everything possible to discourage in-
24 discriminate borrowing, and as the bulk of the
25 borrowing is from the League Central itself we have
26 an adequate measure of control -- not the authority
27 to control, but persuasive control.

28 COMMISSIONER BROWN: Whereabouts do you start
29 bringing this into play? At the 25 per cent level?

30 MR. BURTON: Yes, I would say generally that.

This policy is encouraged by our men in the field



1 when they are dealing with credit unions by examination
2 or in other capacities. If the borrowing is to 25
3 per cent we would suggest they hold it there because
4 of not being able to pay out demands.

5 COMMISSIONER BROWN: In looking at any
6 individual credit union do you examine their lending
7 policies; in other words, do you differentiate between
8 those who might have mortgages and short term loans?

9 MR. BURTON: Yes, that is generally taken
10 into account, particularly, I imagine, by the League
11 Central, but it is also done by the field staff and
12 the examination staff. We try and watch the question
13 of borrowing very closely, and there are very few
14 instances I have seen where the credit unions' borrowing
15 has approached 50 per cent.

16 COMMISSIONER BROWN: Because they could
17 really get squeezed?

18 MR. BURTON: Yes, we readily understand that.

19 ACTING CHAIRMAN: Do you distinguish between
20 those credit unions which have large deposits and
21 chequing privileges in relation to their liquidity
22 reserve?

23 MR. BURTON: It is hard to distinguish be-
24 tween them for one reason I mentioned just now, that
25 there is very little practical distinction between the
26 deposits and the shares, bearing in mind some credit
27 unions have deposits other than chequing deposits.
28 They have term deposits at fixed interest rates, but,
29 as I say, they are both withdrawable fairly easily
30 by members. So, we do not tend to distinguish.



1 ACTING CHAIRMAN: You don't think there is any
2 need for any additional liquidity in the case of those
3 who have chequable deposits?

4 MR. BURTON: We don't think so for the reasons
5 already given in the brief. Our experience has shown
6 that in all cases the League and the credit unions have
7 been able to provide for their own emergencies.

8 COMMISSIONER MacKEEN: There comes a situ-
9 ation from time to time when money is tight and there is
10 not enough to go around: Do you find there is an unusual
11 demand at that time from the member unions for funds
12 from the League? I refer, for instance, to 1959?

13 MR. HALLINAN: Yes, there was a period in
14 1959 when the loan demand was excessively high. Money
15 was tight. We had used the maximum line of credit with
16 our bank, and in that case they just had to wait until
17 funds were available. We suggested that they borrow a
18 lesser amount than they asked for, and we suggested to
19 the individual credit unions ---

20 COMMISSIONER MacKEEN: You give the advances
21 in rotation, or how did you arrange it?

22 MR. HALLINAN: Yes, in rotation. We had a
23 waiting list -- possibly the longest waiting period was
24 about six weeks, and the credit unions were made aware
25 of the fact that money was tight and that we would look
26 after their needs if as and when funds became available,
27 and the credit unions in turn, of course, would have to
28 tell their own members that because of the situation
29 they should cut down on the amount they wanted to borrow
30 and that loans would be granted only for emergency



1 purposes.

2 COMMISSIONER MacKEEN: I suppose the member
3 units would build up through repayment of loans and
4 become more liquid as payment went on?

5 MR. HALLINAN: That is correct.

6 COMMISSIONER MacKEEN: Therefore, their
7 necessities to borrow from you became lesser?

8 MR. HALLINAN: That is right.

9 COMMISSIONER MacKEEN: But there wasn't
10 any great pressure in any cases where there were with-
11 drawals by individual members that made it difficult to
12 meet?

13 MR. HALLINAN: No.

14 COMMISSIONER LEMAN: At such times when the
15 loan demand is high, besides making suggestions such as
16 you have outlined, was there any tendency to affect the
17 interest rates at which you would loan?

18 MR. HALLINAN: No, we did not change our
19 interest rates at all during these periods. It was the
20 same then as it is now.

21 COMMISSIONER LEMAN: Why is that tendency to
22 make the loan rates so sticky -- why should they be
23 uniform?

24 MR. HALLINAN: We feel we charge a reasonable
25 rate, and even if we raised the rate it would not do
26 much good because we didn't have the funds available.

27 COMMISSIONER LEMAN: Do you think it would have
28 any effect on the loaning process if you tried to use
29 the interest rate as the regulating weapon?

30 MR. HALLINAN: In our experience, I would not



1 think so, sir.

2 COMMISSIONER LEMAN: I am sorry ...?

3 MR. HALLINAN: In our experience, I don't
4 think that would have much influence.

5 COMMISSIONER LEMAN: Let us look at the reverse
6 side of the medal: How about the rates you pay on
7 deposits? Would it attract more money in if you gave a
8 better rate at times when money was tight under your
9 system?

10 MR. HALLINAN: I don't think it would.
11 The people of the credit union movement are not primarily
12 interested in a high return on their investment.

13 COMMISSIONER LEMAN: In general, you don't
14 believe at all in the mechanism of interest rates to
15 help adjust for those periods of tight and easy money
16 situations?

17 MR. HALLINAN: No, because the credit unions
18 themselves have maintained a uniform interest rate.

19 COMMISSIONER GIBSON: When the credit unions
20 themselves are in a tight position, when on a couple of
21 occasions I gather the League Central found itself in a
22 tight position, did some of the credit unions try to get
23 funds from other sources? Would you find the Ontario
24 Co-operative Credit Society was tight roughly when you
25 were, for example, or would they fill in when you were
26 tight and vice versa?

27 MR. HALLINAN: No, I think the situation would
28 be the same in both cases.

29 COMMISSIONER GIBSON: How about the banks?
30 Would individual credit unions go to the banks?



1 MR. HALLINAN: They could, but on those occasions
2 the banks themselves were experiencing a tight situation.

3 COMMISSIONER GIBSON: That is right.

4 COMMISSIONER LEMAN: If I may draw your atten-
5 tion to paragraph 131 of your submission, there seems
6 to be a suggestion there that you do believe in the
7 mechanism to a certain extent -- the interest rate
8 mechanism?

9 MR. HALLINAN: This refers to the individual
10 credit unions, not to the League.

11 COMMISSIONER LEMAN: Well, yes, but what is
12 sauce for the goose is sauce for the gander.

13 MR. HALLINAN: Mr. Burton has an observation.

14 MR. BURTON: I was only going to say that
15 maybe the League Central is loathe to raise the deposit
16 rate because -- and raise the loan interest rate at the
17 same time -- because the situation can change very
18 quickly, and I feel, myself, that because the credit
19 unions' rates are static, not only in the interest
20 rate they charge on loans, but they seem to like to keep
21 their dividend and deposit rates static themselves.
22 It seems to me if League Central, if their rates are
23 going to the market, then the credit unions, certainly
24 the larger ones, would feel they would do the same
25 thing themselves, and there might always be a lag because
26 they were not changing them fast enough. It seems to
27 have worked very well leaving the thing static. Instead,
28 of changing the interest rates you just reduce the loans
29 -- just tighten up on credit both in the League and in
30 the credit unions.



1 COMMISSIONER LEMAN: I am not clear on that:
2 Do you believe the mechanism would be ineffective, or
3 is it a matter of policy for you not to use the mechanism?

4 MR. HALLINAN: I would say it would be more a
5 matter of policy.

6 COMMISSIONER LEMAN: It seems to me that to
7 tell someone who wants to borrow from you, "I think you
8 should borrow only \$5 instead of \$10", rather than
9 sending out a signal to the whole system that borrowing
10 is discouraged by the mechanism of rates -- I don't
11 understand even your policy objection to it?

12 MR. BURTON: May I say that if the deposit
13 interest were raised by the League Central at times of
14 tight money, it is doubtful whether any appreciable
15 extra amount would be deposited with the League because
16 the credit unions themselves would be short of money,
17 because if they were not, they would not be applying
18 to the League for loans.

19 COMMISSIONER BROWN: You mentioned a minute
20 ago the credit unions don't change interest rates on
21 their deposits, and this paragraph would indicate they
22 did?

23 MR. BURTON: This paragraph may indicate they
24 may have been giving deposits at three and a half for
25 years, and the board may decide to raise it to four,
26 but it is not a fluctuating thing according to the money
27 market. Generally speaking, it is a policy with us..

28 COMMISSIONER BROWN: If this does apparently
29 have this result at a time when your credit unions are
30 wanting more money from you and you are not able to give



1 it to them, wouldn't it seem suitable to suggest to them
2 they may attract more money themselves by increasing
3 the rate on their deposits?

4 MR. BURTON: The actual fact is the percentage
5 of money deposited by credit union members is small
6 compared with their investment in shares in credit
7 unions. I believe the overall figure is something like
8 ten per cent or 12 per cent of the members' equity is
9 in deposits and the rest in shares. I guess on the
10 long term view, if the League had that policy, they
11 could encourage members to increase deposits and so alter
12 the deposit rates to attract new money.

13 COMMISSIONER LEMAN: You do pay interest on
14 deposits at both levels, so therefore you believe de-
15 posits should attract some rate of interest. Why is
16 one fixed rate of interest the best? Why not let this
17 rate fluctuate according to circumstances?

18 MR. BURTON: We mentioned this elsewhere in
19 the brief, that the shares have always been ^{the} funda-
20 mental capital of the credit union, and I believe we
21 would like to say the League has never encouraged de-
22 posits as such.

23 COMMISSIONER LEMAN: But you do encourage
24 deposits by credit unions into the Central?

25 MR. BURTON: Yes.

26 COMMISSIONER LEMAN: Because that is the only
27 way the Central can operate?

28 MR. BURTON: Yes, but not so much on the credit
29 union level.

30 COMMISSIONER BROWN: But if the credit unions



1 need money and they can attract it by raising the in-
2 terest rates on deposits, why should they not do so?

3 MR. BURTON: They certainly could if they so
4 wished.

5 COMMISSIONER BROWN: But you don't encourage
6 it?

7 MR. BURTON: No, and we don't discourage it.

8 COMMISSIONER GIBSON: You don't vary the re-
9 turn on shares as a rule. In the appendices to the brief
10 I get the impression there has been a gradual upward
11 movement but never a downward movement.

12 MR. BURTON: That is generally so, and we
13 encourage credit unions to avoid having too large an
14 increase in dividend just because they have a good year,
15 because they may have to detract the next year. We
16 suggest they keep it the same, or a small increase.

17 COMMISSIONER GIBSON: You don't suggest they
18 decrease it? There doesn't seem to be much evidence
19 they do this?

20 MR. BURTON: Not unless it is necessary for
21 other reasons.

22 COMMISSIONER GIBSON: You call these dividends.
23 In effect, since the moneys represented by the shares
24 are withdrawn fairly readily and, as you said, in
25 practice most of the time on demand, you could almost
26 regard it as interest?

27 MR. BURTON: Yes, but we call them dividends
28 because it has to be declared and approved by the members
29 at the general meeting, and we differentiate, because
30 the interest on the deposits is predetermined and the



1 dividend on the shares is not.

2 COMMISSIONER GIBSON: You would see more
3 difficulty to varying the dividend rate than varying
4 the interest rate?

5 MR. BURTON: That is right.

6 MR. HALLINAN: Yes, because the dividend rate
7 is dependent on the net earnings of the credit union.

8 COMMISSIONER GIBSON: You don't have much
9 choice, if you did pretty well, to pay a good dividend --
10 you can't put it all aside on reserves?

11 MR. HALLINAN: No.

12 ACTING CHAIRMAN: Am I not right that the
13 balancing factor is your patronage dividend, that you
14 have to give consideration to your borrowers?

15 MR. HALLINAN: That is a factor, yes.

16 COMMISSIONER BROWN: What policy is used in
17 dividing up the surplus as between the dividend distri-
18 bution and the patronage dividend?

19 MR. HALLINAN: Well, usually the determining
20 factor -- and, of course, it is dependent upon each
21 individual credit union, but generally they have X number
22 of dollars of net earnings after the guarantee fund re-
23 serve has been set aside, and they today would feel that
24 a return of the four per cent dividend on shares would
25 be reasonable, but net earnings left over after that has
26 been returned is usually repaid back to the borrower at
27 a rate range from ten to 25 per cent of the interest that
28 the borrower paid in his previous fiscal year.

29 COMMISSIONER BROWN: So the rebate is based on
30 what is left over after a reasonable dividend on the shares



1 MR. HALLINAN: That is correct.

2 COMMISSIONER MacKEEN: What would be the
3 rebate?

4 average/ 15 per cent?

5 MR. HALLINAN: I would suggest 15 per cent.

6 ACTING CHAIRMAN: Is the general practice of
7 your member unions to charge the maximum rate and depend
8 on the payment of dividend to establish the net rate,
9 or do they have varying rates?

10 MR. HALLINAN: Generally the credit unions
11 charge the maximum which is one per cent per month on
12 the unpaid balance, except in rural credit unions where
13 they charge a lesser rate.

14 COMMISSIONER BROWN: Is this because the terms
15 of repayment are not so frequent and therefore there is
16 less cost in bookkeeping?

17 MR. HALLINAN: Yes, chiefly.

18 COMMISSIONER BROWN: Generally in the rural
19 ones, are they repayable once a year or once every six
20 months rather than monthly?

21 MR. HALLINAN: That is correct. The majority
22 of the credit union loans, the farmer will likely borrow
23 the money in the spring and repay it in the fall when
24 his harvest has been reaped.

25 COMMISSIONER GIBSON: To change the subject a
26 little bit, the general character of the lending opera-
27 tions of most of your credit unions seems to be to make
28 the small personal loans. Your brief brings this out
29 very strongly. However, as the unions get bigger - and
30 I am looking at Appendix 22 at the moment - it appears
that mortgage loans assume a more significant proportion of
the total. Personal loans are still much the larger



1 element, but mortgage loans rise from something which is
2 quite insignificant to 12 or 14 per cent of the total
3 assets in the big credit unions.

4 Would you say something about the tendency
5 here? Is there a tendency for larger ones to take more
6 of an interest in helping people finance housing and that
7 sort of thing?

8 MR. HALLINAN: I think that is a reasonable
9 observation, sir. We feel credit unions are primarily
10 organized to take care of the short term personal loans
11 of the members. Now, as the credit union grows, some-
12 where along the line it will reach the point where it
13 can more than adequately take care of that, and the
14 people are still continuing to save, so further funds
15 are amassed, and then the next step would be for them to
16 enter the mortgage field.

17 However, we do not recommend them going into
18 it until they are perfectly satisfied that they have
19 adequately taken care of the short term personal credit
20 needs of the members.

21 In addition to that, it is the recommendation
22 - not a regulation - that in no case should a credit
23 union have more than 25 per cent of its assets in mort-
24 gage loans.

25 COMMISSIONER MacKEEN: You would not recommend
26 the ordinary credit union going as high as 25 per cent
27 with regard to liquidity.

28 MR. HALLINAN: No, we would not.

29 COMMISSIONER GIBSON: What sort of mortgage
30 loans are these? Are you helping members out who have,



1 let us say, a second mortgage problem and an N.H.A.
2 mortgage, an extra problem there, or would some be first
3 mortgages?

4 MR. HALLINAN: Primarily first mortgages on the
5 real estate or homes, on members' homes.

6 ACTING CHAIRMAN: What proportion of those are
7 just mortgage security but not loans for the purchase of
8 real estate or erecting houses?

9 MR. BURTON: I think the answer to that is
10 that the majority of them are first mortgages for the
11 purchase of residential property, and under the amend-
12 ments to the Credit Unions Act of last year, credit unions
13 are no longer allowed to invest in real estate.

14 ACTING CHAIRMAN: I did not mean the purchase
15 of real estate, but we have had it represented to us in
16 other provinces that a good many of the loans classified
17 statistically as mortgage loans, were not loans were
18 for the purchase of real estate or the erection of
19 houses, but merely loans where mortgages had been taken
20 as security.

21 MR. BURTON: Well, in Ontario almost entirely
22 what we call mortgage loans are first mortgages on
23 members' homes, and there are a few cases where a mort-
24 gage, either first or second, is taken as security on
25 a personal loan, which would be less than \$3,000 above
26 the members' shareholdings, but those are the only
27 circumstances when that would happen.

28 COMMISSIONER MacKEEN: Would these be small
29 mortgage loans on housing? I am wondering how you com-
30 pete with National Housing Act loans?



1 MR. HALLINAN: The standard by-laws only per-
2 mit us to lend up to \$10,000 on first mortgage.

3 COMMISSIONER GIBSON: Could you meet the N.H.A.
4 rates?

5 MR. BURTON: No, we could not. I do not think
6 there is any competition between credit unions and the
7 National Housing Act, Central Mortgage.

8 COMMISSIONER LEMAN: To come back to an earlier
9 question which has some bearing on this, when a credit
10 union member is a borrower, would you then say that the
11 union would insist on attracting all of his saving in
12 making sure he uses all his savings for repaying the
13 loan?

14 MR. HALLINAN: No, I don't think so. I fancy
15 that the average credit union member, in addition to his
16 credit union savings account, also has an account with
17 the chartered bank.

18 COMMISSIONER BROWN: In the community type of
19 credit union I suppose that those are the ones that are
20 more apt to have co-ops as members?

21 MR. HALLINAN: I would say generally speaking
22 yes.

23 COMMISSIONER BROWN: I suppose that you will
24 frequently find that when you make a loan to an in-
25 dividual it is sometimes just to pay off a debt to the
26 co-op or to buy something at the co-op?

27 MR. HALLINAN: In the community type?

28 COMMISSIONER BROWN: Yes.

29 MR. HALLINAN: I would say that.

30 COMMISSIONER BROWN: In other words, a lot of



1 that money comes back as a deposit by the Co-op?

2 MR. HALLINAN: It could.

3 ACTING CHAIRMAN: Any further questions?

4 COMMISSIONER LEMAN: I would like to deal
5 with a couple of questions on another point that was
6 mentioned earlier, and that is the supervision of the
7 whole system. With that large number of units in the
8 system this supervision has been somewhat of a problem,
9 has it not?

10 MR. HALLINAN: Not since 1958 when we had
11 the Act amended whereby the Department of Insurance
12 or the Government of Ontario, I should say, has given
13 the League authority to go in and examine into the
14 affairs of credit unions.

15 COMMISSIONER LEMAN: And that is three years
16 ago.

17 MR. HALLINAN: That is right.

18 COMMISSIONER LEMAN: Has the League under the
19 Government supervision of authority, have you been able
20 to get through every unit in the system?

21 MR. HALLINAN: Yes, we have.

22 COMMISSIONER LEMAN: Once a year?

23 MR. HALLINAN: No, once every two years in the
24 League we have.

25 MR. LEMAN: How do you divide up? There is a
26 reference to this in paragraph 24. You say there is
27 co-operation in the field of supervision. How is it all
28 organized? Can you describe this in a little bit more
29 detail for us?

30 MR. HALLINAN: Mr. Burton is the Assistant



1 Supervisor of Examinations, sir, and I think he would
2 be prepared to answer that question.

3 MR. BURTON: Was your question, sir, what
4 would be the overall supervision by the Department of
5 Insurance and ourselves?

6 COMMISSIONER LEMAN: Yes, you explain that this
7 has been arranged on a co-operation basis. How has it
8 been arranged?

9 MR. BURTON: In 1958 when our examination ser-
10 vice was considerably extended, we made an informal
11 arrangement with the credit unions branch of the Depart-
12 ment of Insurance that the League examination service
13 would attempt to examine every credit union in the pro-
14 vince at least every two years. I would say in paren-
15 thesis there that this does not mean that we only go
16 into these credit unions once in two years. We have
17 men all over the province who are in constant touch
18 with our credit unions throughout the year, but as far
19 as examination is concerned, we informed the Department
20 that we would guarantee to examine every credit union
21 at least once in two years. In return, the Department,
22 with a smaller staff, said they would attempt to examine
23 those credit unions, or inspect them in some form, in
24 the alternate years, although with a considerably less
25 staff they would not be able to do it as extensively as
26 ourselves.

27 The tendency has been to concentrate on the
28 weaker credit unions and particularly on those which we
29 report as not 100 per cent as far as operations are
30 concerned.



1 A copy of every one of our examination reports
2 to the boards of directors of the individual credit
3 unions, goes to the Department of Insurance so that
4 they can always locate any credit union which may need a
5 particular visit from them in the intervening year when
6 we might not be examining..

7 COMMISSIONER LEMAN: Is there a guide, is
8 there a standard form of examination, has the scope of
9 the examination all been agreed with the Department?

10 MR. BURTON: No, our own examination service
11 is highly organized, and you have in the appendices
12 complete sets of our papers and so on and instructions
13 to our field men, but there was no agreement as far as
14 I know between the League and the Department. What they
15 do is entirely their own concern and they have not in-
16 dicated that they would follow any set particular
17 pattern of examination.

18 COMMISSIONER LEMAN: To what extent do you use
19 sort of surprise auditors? Are these auditors expected?
20 Do they know when your men are coming around?

21 MR. BURTON: Quite frequently, as public
22 auditors often do, our men will make surprise cash
23 counts and at times investment counts. Sometimes they
24 will walk into a credit union for an examination without
25 notice, but particularly with the small credit union
26 that is not practicable because where there is no
27 full time employee or no regular office open to the
28 public, the books and records that we need for examina-
29 tion may not be in the same place. They might be in the
30 hands of a different official. So advance notice is



1 given to them.

2 This raises another point too. In some of
3 the credit unions where there is voluntary or part time
4 help, the records may not be written up to the minute or
5 to the date of call. So we generally give them a few
6 days to have their records ready for examination and to
7 assemble all the items which we require.

8 COMMISSIONER GIBSON: When you do an examina-
9 tion of a small unit like that, do you get together a
10 number of the senior officers or just the man who acts
11 as manager or treasurer?

12 MR. BURTON: Immediately we are concerned
13 with the treasurer or manager or bookkeeper, but we make
14 every endeavour to contact at least the president or
15 vice-president, often the secretary, the supervisory
16 committee, or at least the chairman thereof, the credit
17 committee or at least the chairman and, where possible,
18 we like to meet with the whole board of directors. We
19 try to make a point of meeting with the board and
20 discussing informally with them the things which we
21 have found in the examination, before the report is
22 finalized. So that when the report comes to them, it
23 does not come as too much of a surprise or, in some
24 cases, a shock.

25 COMMISSIONER GIBSON: Do you do a pretty
26 thorough loan inspection in the process?

27 MR. BURTON: Yes, in some cases every loan
28 which is outstanding on the credit union's books at the
29 time of examination is checked with respect to the pay-
30 ments involved.



1 COMMISSIONER GIBSON: I notice your sheets
2 allow for this. When you find that the loan repayment
3 has not been made or the payment record is irregular
4 or there is something about it that it does not look
5 one hundred per cent, do you take another more thorough
6 examination?

7 MR. BURTON: Yes, that is frequently done
8 when there are a great deal of loans are not paid or
9 are not up to date, then the invariable practice is that
10 our examiners go through every account in the credit
11 union, even if there are ten thousand of them, and list
12 all the delinquent loans. We do not rely on informa-
13 tion supplied by the credit union. So every account
14 is scanned as far as the loan side is concerned.

15 COMMISSIONER BROWN: I notice there is no
16 legal requirement with respect to the appointment of
17 independent auditors?

18 MR. BURTON: That is correct. There was a
19 brief - this is mentioned in our brief - submitted
20 through the Attorney General some years ago on the
21 subject of external audits, and the conclusion of our
22 brief was (this was just before our increased examina-
23 tion service was organized) our conclusion was that in
24 view of that and the assistance from the Department of
25 Insurance, we did not think that compulsory external
26 audits were necessary.

27 The situation now is that the majority of
28 larger credit unions - and by "larger" certainly over a
29 million dollars and many over half a million dollars -
30 voluntarily have employed external auditors. The specific



1 reason is that the credit union has got to such a size
2 that the supervisory committee, which is limited to
3 three members, just cannot cope with a satisfactory
4 internal audit service, and, of course, the larger
5 credit union too feels that they can afford the public
6 auditors.

7 COMMISSIONER BROWN: You used qualified
8 chartered accountants on your inspection teams to make
9 your audits?

10 MR. BURTON: No, we do not have any C.A.'s
11 on that inspection service.

12 COMMISSION LEMAN: Do the League put them
13 through some kind of training course or what?

14 MR. BURTON: Yes. The Supervisor of Examina-
15 tions (who would have been here but unfortunately he is
16 in hospital) is a public accountant and he and myself
17 and a number of our examiners have all been trained in
18 auditing and accounting, in public auditing. New field
19 men are given extensive training of several months in
20 accounting and audit procedure.

21 Of course, bear in mind we do not think of
22 ourselves as auditors. In other words, we do not give
23 the credit unions a certificate, we do not guarantee
24 to the same extent that the public accountant will when
25 he gives his certificate.

26 COMMISSIONER MacKEEN: Are these government
27 inspection and audits provided free for the member
28 credit unions?

29 MR. BURTON: Yes, the government examinations
30 are done without charge to the credit union, and of



1 course the League examinations are paid for through
2 League dues, a dollar a year per member. There is no
3 additional charge.

4 COMMISSIONER LEMAN: You do not give them a
5 certificate, but presumably each union at each annual
6 meeting supplies a financial statement to its members?

7 MR. BURTON: Yes.

8 COMMISSIONER LEMAN: And does it state whether
9 there has been an examination in that year?

10 MR. BURTON: Sometimes they do. Of course the
11 annual statement is approved by the supervisory committee
12 of the credit union, and sometimes, of course, the
13 fiscal year end does coincide with the examination by
14 the League, but it is only coincidence. Some annual
15 reports, quite a few of them, do specify whether or
16 not the League or Department of Insurance have carried
17 out an inspection or examination during the year.

18 COMMISSIONER BROWN: As a matter of fact,
19 are you supplied with a copy of each annual report?

20 MR. BURTON: We make every attempt to secure
21 as many as possible. You will notice in our statistics
22 in appendix 22, they are based on 1,027 credit unions.
23 These were based on annual reports sent in to us
24 voluntarily at the League's request by the credit
25 unions and all possible attempts are made to secure
26 them, and field men co-operate, but inevitably there are
27 some that we do not get, and particularly some annual
28 reports of the small ones.

29 COMMISSIONER BROWN: Will the Central make a
30 loan to a member credit union without having a copy of



1 its last annual report?

2 MR. BURTON: If a credit union wants to have
3 funds from Central they have to supply a copy of their
4 last financial statement. It is independent of the
5 reports on which these figures are based. I do not
6 think they supply necessarily the fiscal year end,
7 the last monthly.



1 MR. BURTON: I do not think they supply
2 necessarily the fiscal year but the last monthly
3 one.

4 COMMISSIONER BROWN: Not the last fiscal?

5 MR. BURTON: The last monthly one.

6 COMMISSIONER BROWN: The last fiscal one
7 is the last one that was reported to members.

8 MR. BURTON: Yes, but the Central only
9 requires the latest monthly statement.

10 COMMISSIONER BROWN: Is it as complete
11 as the annual statement?

12 MR. BURTON: Yes.

13 COMMISSIONER LEMAN: What is the sanction
14 if a credit union refuses to adopt the requirements
15 of one of your examiners -- a suspension from the
16 League?

17 MR. HALLINAN: No, we only have authority
18 to examine the books of a credit union; we have no
19 authority to insist on any procedure being adopted
20 and we use our persuasive powers. We generally find
21 that they are increasingly successful. If there is
22 anything serious enough that they refuse to co-operate
23 on we would mention it in our report to the Board
24 of Directors and a copy of the report would go to
25 the Department of Insurance and if it were of a very
26 serious nature it would even be directed to the
27 Supervisor of Credit Unions.

28 COMMISSIONER LEMAN: And the Supervisor
29 has authority to enforce compliance?

30 MR. HALLINAN: The Supervisor may go in



1 and suspend the credit union.

2 COMMISSIONER LEMAN: Perhaps I have not
3 had a chance to go through all the material and I am
4 not sure whether the answer is there or not but is
5 there a record of liquidations and losses in the
6 whole system since inception?

7 MR. HALLINAN: No, unfortunately we have
8 not that information in the appendices.

9 MR. BURTON: I think we can give you the
10 number of credit unions that have been liquidated
11 based on the Department of Insurance information.
12 At the end of 1960 1632 credit union charters had
13 been issued and 120 had been dissolved and 61 at the
14 time were under dissolution.

15 COMMISSIONER LEMAN: Is there any record
16 of how these liquidations end up? Did any member
17 ever lose money in a credit union?

18 MR. BURTON: I think the Department of
19 Insurance might be able to provide some statistics
20 regarding dissolutions. We do not have any ourselves
21 in the League.

22 COMMISSIONER LEMAN: Did the Central
23 ever lose any money?

24 MR. HALLINAN: Yes, the Central has
25 written off about \$39,000 in bad loans to credit
26 unions.

27 COMMISSIONER LEMAN: So presumably if
28 the Central had to lose something these must have
29 been the results of liquidation, were they?

30 MR. HALLINAN: Yes. Mr. Raycraft has an



1 referring to the relationship between the credit
2 unions and the League as far as borrowing is
3 concerned where they were entitled to borrow 25
4 per cent at any time and 50 per cent by resolution
5 of the shareholders. To amplify that can we say
6 so long as funds were available or , I mean, getting
7 back to the question of tight money, you do not
8 provide any reserves so that you can meet demands
9 at all times?

10 MR. BURTON: In the League Central?

11 COMMISSIONER MacKEEN: In the League
12 Central.

13 MR. BURTON: No, that has not been
14 done, sir.

15 COMMISSIONER MacKEEN: In other words,
16 it is so long as those are available for that
17 purpose?

18 MR. BURTON: Yes.

19 COMMISSIONER BROWN: In your reserve
20 you carry a certain number of investments. I notice
21 those tend to be rather long-term than short-term.
22 Due to the fact that these are reserves for liquidity
23 is there any reason why you should not reach for
24 the short-term loans?

25 MR. HALLINAN: Mr. Chairman, in answer
26 to that question we have about \$57,000 in long-term
27 but at the present time because of the funds coming
28 in we have \$4 million in short-term investments.

29 COMMISSIONER BROWN: This is in the
30 Central?



1 MR. HALLINAN: In the Central.

2 COMMISSIONER BROWN: I was thinking
3 about the credit unions themselves.

4 MR. BURTON: In the credit unions
5 themselves it varies a great deal --

6 COMMISSIONER BROWN: Do you prefer them
7 at all at this stage to short-term?

8 MR. BURTON: You see, the main investment
9 state of the credit union, of course, is bonds as
10 pointed^{out} in the brief and generally speaking a credit
11 union does not go much for the long-term borrowing.
12 If you look at Appendix No. 2 again, the statistics,
13 the percentage of assets in long-term investments
14 is less than 3 per cent. In Government bonds it
15 is 2.1 per cent of the assets and I think long-term
16 investments only .8 per cent. So less than 3 per cent
17 is in the long-term investments and I think many
18 credit unions feel -- and I believe this was
19 mentioned in the brief -- that generally they like
20 to have some small long-term investments which maybe
21 in an emergency they could sell but generally they
22 would tend not to because on long-term Government
23 bonds they do generally take a loss unless it was
24 close to maturity.

25 COMMISSIONER BROWN: Then they are
26 not long-term?

27 MR. BURTON: No, then they cease to be .
28 long-term. But many of them have some small percentage
29 in long-term investment but usually prefer the
30 short-term.



1 COMMISSIONER BROWN: And do you encourage
2 them?

3 MR. BURTON: I do not know that we do
4 actively. This is something which is determined
5 actually by the credit union. We encourage them,
6 of course, to invest surplus funds in the League
7 so that really is encouraging them in short-term
8 investments.

9 COMMISSIONER LEMAN: If these investments
10 are thought of as part of the liquidity problem of
11 the credit union would you not encourage them to
12 keep to short-term?

13 MR. BURTON: Well, generally speaking
14 we do not think of it as being in the nature of
15 liquidity. They are not included in that 9.6 per cent
16 of liquid assets. This 2.9 per cent is in addition
17 to that 9.6 per cent of liquid assets. Generally
18 they are not thought of as a part of liquidity but
19 these are there if in a dire emergency they were
20 required and can be realized.

21 ACTING CHAIRMAN: Any further questions?

22 Then, Mr. Hallinan, the Commission would
23 like to thank you and your associates for the
24 contribution that you have made to the understanding
25 on the part of the Commission of credit unions and
26 your brief will be given further consideration when
27 the Commission reaches the point of giving
28 consideration to its report.

29 The Commission will now adjourn for
30 a few minutes, 10 or 15 minutes, and when we resume



1 we would ask the Ontario Co-Operative Credit
2 Society to make their presentation.

3 It had been originally arranged that
4 the Government of Ontario would present a brief at
5 this session but it turned out to be mutually
6 convenient to both parties to have that brief at
7 a later session. So that is why they are not here
8 this morning and we will adjourn then for 10 or
9 15 minutes and then hear the Ontario Co-Operative
10 Credit Society.

11 --- At this point a short recess was taken.
12

13 ACTING CHAIRMAN: The hearing will
14 come to order. We will hear the representations
15 from the Ontario Co-Operative Credit Society
16 represented by Mr. Mitchell.
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SUBMISSION OF ONTARIO CO-OPERATIVE
CREDIT SOCIETY

APPEARANCES

Mr. Arthur Briggs	-	President
Mr. Norman Wilson	-	Manager, Loan Department
Mr. Joseph M. Best	-	Secretary-Treasurer & General Manager
Mr. Leonard W. Mitchell	-	Solicitor
Miss Mary A. Sullivan	-	Manager, Office & Accounting Department.
Mr. Ernest W. Nesbitt	-	Manager, Loan Department.

MR. MITCHELL: My name is Leonard W. Mitchell and I am solicitor for the Ontario Co-Operative Credit Society.

ACTING CHAIRMAN: I think it would be helpful to the Commission and to the reporters if perhaps you would identify those who are with you.

MR. MITCHELL: I was just going to do that, Mr. Chairman. With me are Mr. Arthur Briggs, President of the Society who will read the summary of the brief, Mr. Joseph Best, the General Manager, who will answer any questions the Commission may direct to him, Mr. Norman Wilson who is the Manager of the Loan Department, Mr. Ernie Nesbitt, the Manager of the Member Services Department and Miss Mary Sullivan, Manager, Office and Accounting Department.

Before reading the summery I would like to



1 refer the Commission to the brief and make one
2 or two slight changes that are necessary because of
3 typographical errors.

4 If you would refer to page IV of the
5 summary in paragraph 13, about the fifth line down
6 it says: ... "the Society has used three different
7 types of borrowing". If you change the word "three"
8 to "four" because we go on to enumerate four
9 different types.

10 ACTING CHAIRMAN: This is not one you have
11 just recently discovered?

12 MR. MITCHELL: No, there are four types
13 mentioned if you will notice. What happened was
14 in drafting it we had only three types and before
15 finishing it we put in four but did not change the
16 figure "three" to "four".

17 Then, the same error occurs on page 12,
18 paragraph 40.

19 ACTING CHAIRMAN: Page 12 of the brief?

20 MR. MITCHELL: Yes, paragraph 40, in the
21 fifth line: ... "the Society has used "three" different
22 types". It should be "four".

23 Then, on page 14 in paragraph 45 dealing
24 with investments the way the sentence is worded is
25 correct but it is capable of another interpretation
26 which we discovered since. If the Commission would
27 just change it to read: "The Society is" instead of
28 "has" and cross out the word "been". Instead of
29 "set up" put in the word "maintain" and then two
30 lines down where it says "... so that a drastic



1 drop" -- if you would cross out "so that" and
2 substitute "because of this" then I think the sentence
3 gives the meaning intended to it. It will then
4 read:

5 "The Society is also required to
6 maintain a reserve against fluctuation
7 in the market value of its securities and
8 because of this a drastic drop in bond
9 prices could affect its ability to pay
10 dividends".

11 One last comment. We have just now filed
12 with the Secretary of the Commission some supplementary
13 information. We have noticed that during the
14 Commission's hearings the Commission is very interested
15 in the controls or steps taken by various Central
16 societies during the tight money situation of 1959
17 and the supplementary information we have filed
18 contains some extracts from, first of all, the
19 Report of the Board of Directors in 1959. Unfortunately,
20 those documents are not available in sufficient
21 quantity and we have photostated the only copy we
22 had, the extracts from the Board Directors' Report
23 in 1959 which deals almost entirely with the effects
24 of the tight money situation on the Society and
25 then we have given three letters which are copies
26 of letters sent out at that time to the members
27 of the Society dealing with changes in deposit rates
28 that the Society agreed to pay and also changes in
29 interest rates on loans. Following that are two
30 photostatic copies of the front page of a publication



1 that is sent out quarterly to our members called
2 "Ontario Credit Newsletter" and "Co-Op Credit Newsletter"
3 and the issues of the fall of 1959 contain consider-
4 able information on the effect of the tight money
5 situation and the next one, the summer of 1961
6 contains information on the easing of the tight
7 money situation which had occurred in the interval.

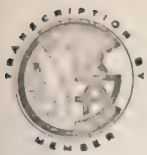
8 The last one in the book which is not a
9 photostat is just a copy of the current issue of
10 the Co-Op Newsletter to show the Commissioners
11 the form which it takes. There is nothing in the
12 current copy which is particularly pertinent to
13 this enquiry.

14 If it is the Commissioners' wish to make
15 a note in their brief at page 17 at the end of
16 paragraph 56 a reference to this supplemental
17 information would be pertinent because it fits
18 into the brief at that point.

19 ACTING CHAIRMAN: Thank you.

20 MR. MITCHELL: Those are all the changes
21 and comments I have to make and I would like now
22 to call on Mr. Arthur Briggs, the President, who
23 is going to read the summary of the brief to the
24 Commission.

25 MR. BRIGGS: Mr. Chairman and Commissioners,
26 this brief of ours, of course, was prepared by a
27 legal mind and, as you have noted, even the legal
28 mind does make the odd mistake. However, before
29 I proceed with the brief I would like to give a
30 little more background to the gentleman who will



1 be answering questions later on, Mr. Joseph Best,
2 who is our Manager. He is also a past president of
3 the Ontario Credit Union League and also a past
4 president of the Ontario Union of Co-Ops and thus
5 has gained a great deal of knowledge in connection
6 with credit unions and co-operatives which this
7 Society tries to serve.

8 Mr. Mitchell, our legal counsel, is also
9 past president of this Society and has also had a
10 great deal to do. He is a past director of the
11 Ontario Credit Union League, a past director of the
12 CUNA Mutual Society and in addition to that has
13 served as legal counsel for co-operatives and credit
14 unions in the province of Ontario.

15 This is a summary of the brief presented
16 by the Ontario Co-Operative Credit Society.

17 --- Mr. Briggs reads summary.
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1 COMMISSIONER LEMAN: Mr. Briggs, to start
2 with there is a question I would like to ask so
3 I will understand how you are situated in the whole
4 system in Ontario. The League operates a central
5 too, and the credit unions that deal with you are
6 members of your Society and are also members of the
7 League. Do they deal sometimes with the League
8 Central and sometimes with you, or do you find that
9 in practice those that are members of the Co-Operative
10 Credit Society deal with you and not with the other
11 Central?

12 MR. BRIGGS: I would say there is a little
13 bit of both. In some cases they are dealing with
14 both the League Central and ourselves. In other
15 cases they may primarily deal with the League
16 Central and other credit unions may deal primarily
17 with Co-Operative Credit Society. I think the
18 competition in this case does not do any harm,
19 because I have always felt that as a result of
20 healthy competition between these two organizations
21 that the credit unions and co-operatives are
22 probably getting better service than they might
23 have got without that competition.

24 COMMISSIONER LEMAN: So some of them do
25 shop around?

26 MR. BRIGGS: That is true. I think
27 possibly one reason why a number of them may deal
28 exclusively with the Credit Society is because
29 it can provide primary and secondary checking if
30 they require it, but probably there are other factors



1 as well as that.

2 COMMISSIONER LEMAN: By talking with the
3 League this morning we found them rather inflexible
4 in the field of interest rates, whereas you made
5 quite a point of saying that you believe inflexibility
6 in this field?

7 MR. BRIGGS: I think maybe there were
8 one or two explanations for that. We are dealing
9 to a great extent with co-operatives in making
10 loans, and the co-operatives have some facilities
11 at the bank. We have to meet more competition
12 outside, and the League Central is concerned
13 primarily with the credit unions themselves, and
14 the credit unions as a rule do not change their
15 rates on loans to their members, and I think as
16 the result of that the League has never felt the
17 necessity of having to fluctuate with the market
18 as much as the Co-Operative Credit Society, often
19 using the market to borrow money for its members.

20 COMMISSIONER GIBSON: They have to meet
21 your competition?

22 MR. BRIGGS: We have to meet their
23 competition.

24 COMMISSIONER BROWN: When you increase
25 interest rates on deposits it presumably attracts
26 more deposits from the co-ops: Does it also attract
27 more deposits from member credit unions?

28 MR. BRIGGS: I would like to have Mr.
29 Best possibly answer that.

30 MR. BEST: Yes, Mr. Brown, it certainly



1 attracts more money from credit unions, and in
2 many cases credit unions and other types of
3 co-operatives, such as medical co-ops, have said
4 to us, "We can get a higher rate from such and
5 such an organization and we are not going to put
6 this money with you unless we get a higher rate."
7 In some cases we have found our members would
8 indicate they are going to withdraw funds to put it
9 outside at a higher rate of interest. Naturally,
10 this is in times when interest rates are going up.
11 So, to meet the changing conditions we have raised
12 our interest rates practically to keep the money
13 within the organization but effectively it has met
14 the current market conditions.

15 COMMISSIONER BROWN: I gather from your
16 brief that you are in favour of some sort of liquidity
17 ratios. You certainly impose it on any member
18 credit unions that take advantage of your facilities
19 for checking purposes. Have you any views on
20 liquidity ratios on share capital?

21 MR. BEST: In the Ontario Co-Operative ---

22 COMMISSIONER BROWN: In the member
23 credit unions.

24 MR. BEST: This is a field we don't get
25 into, but we do feel that there should be liquidity.
26 We don't go to the credit unions telling them they
27 must have liquidity. This is not our field, but
28 we do believe that they should.

29 COMMISSIONER BROWN: We would be interested
30 in hearing your views on what sort of liquidity you



1 think they should have?

2 MR. BEST: As a rule-of-thumb we would
3 say about 5 per cent of their share capital should
4 be maintained liquid in chartered banks and in the
5 Ontario Co-Operative Credit Society and short-term
6 government securities.

7 COMMISSIONER MacKEEN: How is your
8 share capital issued -- the \$1 million?

9 MR. BEST: I don't get the import of the
10 question?

11 COMMISSIONER MacKEEN: How has that
12 been issued -- the \$1 million of share capital.

13 MR. BEST: The shares have been allotted
14 by the board of directors on application from our
15 member organizations, and the certificate issued
16 for the number of shares held by each organization.

17 COMMISSIONER MacKEEN: Is it fully issued?

18 MR. BEST: Fully paid?

19 COMMISSIONER MacKEEN: Yes.

20 MR. BEST: Yes.

21 COMMISSIONER MacKEEN: I mean fully
22 issued -- the \$1 million.

23 MR. BEST: No, it is just short of \$1
24 million; \$937,000 -- in that neighbourhood, and
25 we have applied to the provincial government, and
26 the bill is just awaiting Royal assent to increase
27 the share capital from \$1 million to \$3 million.

28 COMMISSIONER MacKEEN: This is to take
29 care of new members?

30 MR. BEST: That is right.



1 COMMISSIONER MacKEEN: Or increases on
2 the part of existing members?

3 MR. BEST: Both -- to take care of
4 increases in the membership and additional capital
5 being purchased by the present members. We
6 recommend that the members of the Co-Op Credit,
7 made up of credit unions, keep with us or invest
8 with us 1 per cent of their own member equity. It
9 is just a rule-of-thumb, that many credit unions
10 are investing this amount of money in the Ontario
11 Co-Op Credit Society.

12 COMMISSIONER MacKEEN: Some would be
13 less and some would be greater than that ratio?

14 MR. BEST: That is correct. As an
15 example, at the end of 1961 there were 476 credit
16 unions with 639,000 invested in share capital.
17 This is outside of the deposits or other means of
18 putting money with the society: 476 credit unions
19 had 639,000 in share capital.

20 COMMISSIONER BROWN: In your annual report
21 on page 3 you refer to this Commission, and at
22 the bottom of page 3 you refer -- perhaps I should
23 read the whole sentence:

24 "For this reason your Board considers
25 it important that appropriate representations
26 be made to the Commission by both credit
27 unions and credit union centrals, seeking
28 to distinguish them in their objectives
29 and operations from commercial organizations,
30 and, should the Commission conclude that



1 credit unions and central now or in
2 the reasonably foreseeable future
3 frustrate the monetary and financial
4 policies of Canada, to indicate suitable
5 methods of control and regulation."

6 We have heard in other places that
7 credit unions in many instances consider that they
8 are not affected by changes in monetary policies,
9 and I gather you feel the opposite is true as far
10 as you are concerned, yourselves. Do you think
11 this is a good thing or do you think credit unions
12 should be insulated from changes in monetary policy?

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1 MR. BEST: : We think that the credit unions
2 should not be insulated from changes in monetary policy,
3 Mr. Brown. We think that these changes, when they are
4 made effective for the good of the economy as a whole,
5 we think the credit unions should follow along these
6 policies. We feel that we should not have a large
7 segment, perhaps relatively small as far as the whole
8 economy is concerned but --

9 COMMISSIONER BROWN: Growing very fast.

10 MR. BEST: Growing at a very rapid rate, we
11 cannot have a large segment of the economy frustrating
12 monetary policy and still have the economic good of the
13 whole country.

14 I think in the supplementary information
15 given you this morning, we indicate that we are subject,
16 we are affected by the changes in monetary policy, al-
17 though up to now we have no direct information. That is
18 what we believe, it is what we read in the press, what
19 we feel when we attempt to borrow money. There is no
20 direct line of communication. Does that answer your
21 question?

22 COMMISSIONER BROWN: Yes, that is what I
23 wanted, thank you.

24 COMMISSIONER LEMAN: To go on with that same
25 subject, what do you have in mind principally in the
26 responsiveness that you think should be obtained in
27 fact? Are you thinking mostly of this flexibility by
28 interest rates used, because some of the Leagues and
29 Credit Unions, have argued that while they might disre-
30 gard that system of control : responsiveness, they would



1 in fact/rather through persuasion and say: "Well, you
2 should not borrow so much now" and try to get them to
3 borrow less, instead of changing interest rates and
4 trying to get enough automatic response, What do you
5 have in mind as the right way to respond?

6 MR. BEST: Mr. Leman, we have found that
7 changes in interest rates do effect the result that is
8 apparently desired by the government and other people
9 who set the monetary policy. We feel that changes of
10 interest rates - if you would refer to the section of
11 the report there, the report of the board of directors
12 in the front of the supplementary information, the
13 president at that time in referring to general monetary
14 conditions in the second paragraph, goes on in the third
15 paragraph and says:

16 "The scarcity of money -"
17 at that time this was national policy -

18 "The scarcity of money reduced our deposits
19 and increased the demand for loans over and
20 above the normal credit requirements."

21 Then he goes on, and I am looking for the
22 exact reference there, and he points out that we were
23 able to borrow \$750,000, and this is the important part
24 about six lines from the bottom of the page:

25 "We were unable for the first time in several
26 years to meet some of the requests for loan
27 accommodation as promptly as they were re-
28 ceived."

29 Now, at that time we were charging a six per
30 cent interest rate, which was the maximum we have charged



1 on credit and borrowings, and we just could not meet all
2 the demands, and the credit union had to wait, creditors
3 and their co-operative members,

4 COMMISSIONER BROWN: By borrowing this
5 \$750,000 you were to that extent able to produce money
6 for your members when they could not find it elsewhere.

7 MR. BEST: That is correct, but then we wanted
8 to get more. The demand was there for more but we just
9 could not get more.

10 COMMISSIONER BROWN: But you were able to
11 increase some in a period of tight money,

12 MR. BEST: Well, I am not sure that it is any
13 more than the credit unions themselves, if they had
14 been using the other sources indicated, could have
15 borrowed. We just don't know.

16 COMMISSIONER BROWN: My point was that even
17 in this period of tight money for other people, you
18 were at least able to increase your capacity?

19 MR. BEST: Not increase it. We had that
20 capacity, it was there.

21 COMMISSIONER BROWN: But you did borrow more
22 than you ever have borrowed.

23 MR. BEST: We reached a peak there, but we
24 had borrowed before. This was not the first time
25 we had borrowed.

26 COMMISSIONER BROWN: I realize that, but
27 this is the first time you had reached that peak.

28 MR. BEST: That is correct.

29 COMMISSIONER GIBSON: Some of your customers
30 credit unions, it says in this report of the board:



1 "A few credit unions, although not short of
2 money, borrowed to protect themselves against
3 a future demand for increased loan volume."

4 In other words, some of your customers were busy trying
5 to look after their operations at the same time, quite
6 naturally.

7 MR. BEST: That is true.

8 COMMISSIONER GIBSON: And generally speaking
9 the credit union succeeded in going on and growing and
10 so did you in these circumstances.

11 MR. BEST: But perhaps not as fast a rate as we
12 otherwise would have.

13 COMMISSIONER GIBSON: Yes.

14 MR. BEST: That is the intangible part. We
15 just don't know and we don't know in that particular
16 year, if there had been no credit restrictions,
17 we might have borrowed a million dollars. We don't
18 know. We are continually exploring to see what would
19 have happened if we had not had tight money in 1959,
20 how much faster we might have grown.

21 COMMISSIONER GIBSON: You just did not raise
22 the interest rate. I gather you limited the term in
23 some cases, limited the amount which you would lend.

24 MR. BEST: That is correct. I think it is
25 in the brief itself there is a quotation from a letter
26 we sent to all credit unions.

27 COMMISSIONER GIBSON: That was on in 1960,
28 was it not, paragraph 57?

29 MR. BEST: Yes, that is in August, 1960.

30 COMMISSIONER GIBSON: You still had tight money



1 there, had you?

2 MR. BEST: It had not eased entirely. After
3 that there are other letters that indicate: "Well, the
4 lid is off. Come and borrow something." Particularly
5 last summer we did. We don't have the copy of the
6 publication here but we did circularize our member
7 credit unions saying that we had the money avail-
8 able - make plans to borrow it, if they needed it.

9 COMMISSIONER GIBSON: Well, you have a
10 bulletin here that suggests this in 1961.

11 MR. BEST: Yes, Mr. Gibson.

12 COMMISSIONER GIBSON: Quite a bit later.

13 MR. BEST: I am referring to another one
14 apart from this, but that does indicate, that bulletin
15 indicates it, but then we did other things as well as
16 that and copies of that material were not available.

17 COMMISSIONER BROWN: Do you find this causes
18 an increase in borrowing?

19 MR. BEST: Strangely, last year, there was
20 very little reaction immediately. This involves a
21 business reply card, and later on we had several of
22 these cards trickling in but immediately I think you
23 can see there was no immediate response. In other
24 words, the return mail did not bring a flood of loan
25 applications.

26 COMMISSIONER GIBSON: We have been talking
27 about how you respond in your loaning policies. In
28 relation to the credit unions in particular, what makes
29 you do this? You mentioned securities. Your securities
30 go down in value and you don't want to sell them at a



1 loss. Is that one of your motivations in tightening
2 up when money is tight? You cannot get as much from
3 the banks as you might otherwise be able to get. That
4 would be another thing besides. I am trying to get at,
5 why do you do this? What are the forces which make
6 you tighten up when money is tight?

7 MR. BEST: I think, Mr. Gibson, it is because
8 of having to go along with the stream.

9 COMMISSIONER GIBSON: Yes, but how does this
10 actually work? You cannot get as much from a bank as
11 you otherwise could. You have investments which, when
12 money is tight, may very well have to be written down
13 a bit.

14 MR. BEST: We would have to sell them at a
15 loss perhaps.

16 COMMISSIONER GIBSON: And you do not want to
17 sell them at a loss?

18 MR. BEST: That is correct.

19 COMMISSIONER GIBSON: What else? The com-
20 petition situation would not be as difficult so you
21 would not be pressing as hard to get your funds out.

22 MR. BEST: Well, deposits too, we might ex-
23 perience some withdrawal of deposits, particularly at
24 a seasonal level. All of these forces would be -

25 COMMISSIONER GIBSON: You would have
26 quite a few withdrawals of deposits.

27 MR. BEST: In certain seasons of the year:
28 Actually we can graph it out every year and the graph
29 looks just about the same. There are minor variations,
30 but in the spring, late spring, the deposits drop, as



1 they are just beginning now to drop, and then the loan
2 demand increases. So on the one hand we have a drop in
3 deposits and on the other hand we have an increase of
4 loan demand, and this is when we normally borrow to
5 fill in that gap.

6 COMMISSIONER GIBSON: Apart from the seasonal
7 element, when money is tight it would be harder for you
8 to get deposits, some of your people might draw on
9 deposits, for example.

10 MR. BEST: The credit unions would be using
11 the deposits they have with us to make loans to their
12 own members, or other members, some of the local co-
13 operatives might be withdrawing deposits from us to
14 put it elsewhere at a higher return. They watch these
15 interest rate fluctuations pretty closely.

16 COMMISSIONER GIBSON: Do you stick pretty
17 much to the kind of liquidity position that is shown
18 in your last two statements here, which run about ten
19 per cent in cash and 30 per cent in investments, that
20 sort of thing?

21 MR. BEST: No, that is typical so far as the
22 cash is concerned, but the investments, as you will see
23 from the graphs just prior to the statements, the in-
24 vestments are abnormally high. This is simply because
25 the loan demand was not there at the year end. You
26 see, normally we would not have 35 per cent of our
27 assets in investments, and other years are more typical,
28 something less than that.

29 Actually the liquidity position is shown, not
30 graphically but in statistics, in table one of the



1 statistics, which is referred to in page nine, paragraph
2 27, and it is the eighth exhibit which shows the situ-
3 ation over the years since our certification by the
4 Treasury Board. You see our requirement in the first
5 line year by year we must keep under the provisions
6 of the Co-operative Credit Associations Act, we must
7 keep five per cent of our total deposits in cash.

8 Now, in actual practice (that is referred to
9 somewhere in the brief) because of the relatively large
10 number of bank accounts we maintain, we find it
11 practical to keep about ten per cent of our total
12 deposits. So that the five per cent requirements in
13 each year, you can read across the page there, has
14 risen from \$77,000 in 1956 to \$365,000 in 1961. To meet
15 that requirement we have had from \$169,000 in 1956 to
16 \$865,000 in 1961. This is cash in hand. It is closer
17 to ten per cent, not because we feel ten per cent must
18 be the liquidity figure but because of the practical
19 workings of these many bank accounts.

20 Then in addition to that we are required to
21 maintain another 15 per cent of our deposits, which
22 maybe cash or may be cash and government securities,
23 provincial, municipal, federal or school securities.
24 So that a total of 20 per cent then must be in cash
25 or these securities, five per cent of it must be in cash
26 and the relevant figures are there showing that about
27 the end of 1961, to meet a liquidity requirement of-
28 almost a million and a half, we have almost four million.
29 This is abnormal.

30 COMMISSIONER GIBSON: This is a temporary



1 situation.

2 MR. BEST: That is right.

3 COMMISSIONER BROWN: Of course you borrow
4 outside as well as borrowing from the bank?

5 MR. BEST: Well, we borrow from our members
6 by way of deposits or debentures, and we borrow from
7 a chartered bank and also from the short term money
8 market.

9 COMMISSIONER BROWN: Your line of credit at
10 the banks is limited by your hypothecation of invest-
11 ments securities.

12 MR. BEST: No, we pledge no securities for
13 our line of credit at the bank. They look at our
14 statement and say: "You are worth so much". I think it
15 is in our statement there. We are quite prepared to
16 give the information. At present our credit is \$600,000.

17 COMMISSIONER BROWN: That figure is well below
18 your investments. In fact in only one year that you
19 borrowed money in these last four years did the
20 borrowed money exceed your investments.

21 MR. BEST: Yes.

22 COMMISSIONER BROWN: That borrowed money
23 includes deposits and also --

24 MR. BEST: Debentures.

25 COMMISSIONER BROWN: No, deposits are a
26 separate item there.

27 MR. BEST: What table are you looking at?

28 COMMISSIONER BROWN: Looking at the bar charts
29 on page five.

30 MR. BEST: In the annual report?



1 COMMISSIONER BROWN: Of the annual reports,
2 which shows that in 1959 borrowed money was 15 per cent
3 as against investments of $12\frac{1}{2}$ per cent.

4 MR. BEST: Yes, borrowed money would include
5 the debentures, that is correct.

6 COMMISSIONER LEMAN: These debentures that
7 were issued, they were issued through the public, not
8 necessarily only in the system?

9 MR. BEST: Yes, that is correct.

10 COMMISSIONER LEMAN: Some of the credit unions
11 elsewhere have made the point that they thought of the
12 movement as a sort of little closed economy, that they
13 would like to use only members' money, except for
14 occasional times when they would use bank accommodation,
15 but mostly on a seasonal basis.

16 Of course, some of them
17 have made this point with us. I gather that you see
18 no reason why you could not go outside to the public
19 to get the funds that you feel you require.

20 MR. BEST: I would qualify that in this way,
21 Mr. Lemman, that we would never put on a campaign, as it
22 were, to sell debentures. You will never see a Co-op
23 Credit ad in the financial page of any newspaper ad-
24 vertising "Co-op debentures, five years, five per cent"
25 or anything like that. We have felt, in making these
26 debentures available, we were appealing primarily to
27 our credit unions and co-operatives that have money to
28 invest. Again too people have an alternative to invest
29 it outside the movement. We felt we should make some
30 form of debenture available.



1 Now, by law we are permitted to make these
2 available to the general public but, as I say, we have
3 never gone out on a campaign to do this. However, when
4 a credit union member or a co-op member, someone
5 sympathetic to the movement, wishes to invest in them,
6 we certainly make the debentures available to them.

7 COMMISSIONER LEMAN: But these debentures, so
8 far as they appeal to your own members, would have a
9 higher yield for them than share capital, or vice versa?

10 MR. BEST: They have had. We have never paid
11 more than five per cent as a dividend on share capital,
12 but for a period back in, I think this is back around
13 1959 there, we were paying five and a half per cent on
14 our five year debentures.

15 COMMISSIONER BROWN: Do you pay more on your
16 debentures than you get on the average on your invest-
17 ments?

18 MR. BEST: On an average on the investments
19 perhaps, yes, we would, at that time we would, but
20 then the debentures, you see, Mr. Brown, are only a
21 small part of our total resources.

22 COMMISSIONER BROWN: Then why borrow money at
23 a higher rate than you are getting? You do not need
24 investments as collateral for your bank.

25 MR. BEST: I understood you to say, were we
26 paying more on the debentures than the average of
27 our investments.

28 COMMISSIONER BROWN: That is right.

29 MR. BEST: The investments though are only
30 a portion of our total assets. We could pay more for a



1 portion of our resources than we are getting on a portion
2 of our assets. We would not be, we were not paying more
3 for the debentures than we were for our loans, than the
4 income on the loans. At that time we were charging six
5 per cent on the loans.

6 COMMISSIONER BROWN: Yes, but why have the
7 debentures out at all if you have assets that are
8 earning less than you are paying for your debentures.

9 MR. BEST: Because we wanted --

10 COMMISSIONER BROWN: You see, your investments
11 are over \$3 million and \$585,000 are debentures.

12 MR. BEST: Yes.

13 COMMISSIONER BROWN: You would be better off
14 if you did not have those debentures out and you have
15 \$585,000 fewer investments.

16 MR. BEST: Yes, but at the time we sold the
17 debentures this was the case and at the time we were
18 selling many of our members were suggesting that they
19 invest in the co-op credit at five and a half per cent.
20 They were pulling money out and putting it elsewhere
21 at five and a half per cent and we in turn were having
22 to pay more than that to borrow money.

23 MR. BRIGGS: I think it was just a matter of
24 competition in the money market at that particular time.
25 If we wanted to sell debentures we had to meet the rate
26 of interest that could be obtained in a good many other
27 cases from other sources.

28 MR. BEST: You see, this is providing us in
29 some cases with five year money on which, when we make
30 some loans, we get a higher rate of interest. It seemed



1 practical in order to satisfy the need to pay more
2 and get the money in.

3 COMMISSIONER BROWN: Wouldn't it be cheaper
4 to sell the investments?

5 MR. BEST: It might. We thought that at
6 the time.

7 MR. BRIGGS: One thing, debentures did
8 give us our money for at least a period of five
9 years.

10 COMMISSIONER LEMAN: Today how generally
11 do you estimate investments? I notice in the re-
12 sponse to monetary changes chapter you say:

13 "To raise money by the liquidation of
14 investments at such a time is neither
15 desirable nor economically possible."

16 Is that a case of the character of
17 the investment because they are not
18 liquid enough or what?

19 MR. BEST: I think we can say they were
20 liquid enough but we might be taking too much of a
21 loss on them and that loss would have to be taken
22 from our earnings in that particular year if it
23 were in excess of any reserves set up for such losses
24 and it might lead to our having to lower the dividend
25 rate below four per cent. This we are very reluctant
26 to do because the shares are now qualified as, to
27 put it briefly, really for life.

28 COMMISSIONER BROWN: But you would have
29 the value of the market at the end of the year any
30 way?



1 MR. BEST: That is correct.

2 COMMISSIONER BROWN: What is the difference
3 between value on the market and selling them?

4 MR. BEST: The situation may have changed
5 by the end of the year.

6 MR. BRIGGS: I think you have a good
7 illustration of that in the 1960 report where we
8 have a reserve of around \$14,000 because of the
9 drop in market value and we entirely eliminate it
10 in the 1961 report.

11 MR. BEST: In 1959 it was a \$40,000
12 reserve we had to set up.

13 COMMISSIONER LEMAN: The statement
14 puzzles me a bit because we have heard the same
15 statement by other credit unions in other provinces
16 generally. It seems that the whole movement across
17 Canada always says that with these investments, it
18 is not economically possible to sell them at the
19 time they need the proceeds of sale. So again I
20 say why are they carried if it is considered
21 practically impossible or useless to cash in on
22 them when you need them? Why are they carried
23 at all?

24 MR. BEST: There is a legal requirement
25 to carry them for one thing, Mr. Leman.

26 MR. BRIGGS: I think you will find, Mr.
27 Leman, that we have disposed of investments at times
28 when we needed the money where we could dispose of
29 them without a loss as far as the society is con-
30 cerned and that that is a reference more to those



1 that we are carrying on the books at a lower market
2 value than at the time we purchased them. These
3 are all types we endeavour to hold but we do
4 dispose of investments during the year.

5 MR. BEST: There is a reference, Mr. Leman --
6 I am just looking for it - in the report. I thought
7 it was in this report you have in front of you for
8 1959 but I do not see it there, to how we met the
9 loan demand from the drop in deposits, whichever
10 it may have been by cashing so much in investments.
11 I do not see it here but I will try to find it
12 but there is a definite reference to the amount.
13 We will cash them and in the past we have cashed
14 them.

15 In some cases it is much more economical
16 to cash them on a rising market. It would be
17 much better but we do not particularly want to
18 cash them when we are going to take a loan on
19 them and we will do other things. I think what
20 we are implying here is we will do other things
21 before we will cash them. In that case we might
22 hold back on loans.

23 COMMISSIONER LEMAN: I quite realize
24 you would not hesitate on very good investments
25 to make a profit but the point is this seems
26 perhaps to be a general statement that at times
27 when they could be useful as a reserve it is
28 neither desirable or economically possible to use
29 them.

30 MR. BEST: I am afraid we do not have a



1 meeting of minds, as it were, here and I want to be
2 helpful but perhaps I am not getting what you are
3 driving at. If we point out that the investments
4 are there as a reserve, not necessarily and not
5 primarily for a loan demand but as a reserve to
6 meet withdrawals from deposits maybe this puts it
7 in proper focus. If we were faced with the problem
8 of not being able to borrow from the banks and not
9 being able to borrow from the short term market
10 but having to meet large withdrawals from our
11 deposit accounts then we would have to cash it
12 in because this investment represented 15 per cent
13 in many cases of our total deposits.

14 COMMISSIONER LEMAN: In other words,
15 you look upon them as an absolute last ditch
16 type of reserve?

17 MR. BEST: Well, we do not jump to
18 cash them if it is going to actually lose money.

19 MR. BRIGGS: I think we have been in
20 the fortunate position where we can buy from the
21 short term money market over that period of
22 peak demand at a lesser rate than our invest-
23 ments will return to us.

24 COMMISSIONER LEMAN: I think I can tell
25 you what I am driving at. There are various types
26 of investments. It depends on the yield you want,
27 etcetera, and I suppose you could have had an
28 investment policy that would give you additional
29 flexibility or more security and would eliminate
30 this situation where you say at such time it would



1 not be desirable or economically possible to
2 liquidate them.

3 MR. BEST: Yes, if we had near maturities.
4 For a time there we were buying treasury bills at
5 this time of the year. This was the case so that
6 we would have the money available to meet the loan
7 demand in June and July so there would be no question
8 about the liquidity there and no question about
9 getting one hundred cents on the dollar. When
10 the treasury bills came due we got full value
11 for them. We tried to maintain an investment
12 portfolio which was fairly limited and of
13 relatively near maturities. If you look over
14 the investment portfolio you will see some
15 things in there that I might term a little longer
16 term. These were bought earlier and our policy
17 is to stick with investments that are within
18 the next ten years of maturity, preferably
19 shorter than that if we can.

20 COMMISSIONER BROWN: I would like to
21 ask one other question along the same lines.
22 Say you had a four and a half per cent short
23 term bond and it cost you \$100 and the market was
24 such that the yield on maturity was five per cent.
25 This means you are going to take a loss, it may
26 well be. Is that the time, you might say, you
27 attempt to get these debentures and are prepared
28 to pay more than five per cent on a five year
29 debenture or what should your rate on debentures
30 be?



1 MR. BEST: Our rate on debentures is
2 five per cent for a five year debenture.

3 COMMISSIONER BROWN: Would you rather
4 borrow the money at five per cent than sell these
5 other bonds which are only yielding five per cent?

6 MR. BEST: Perhaps I can only answer
7 that question by pointing out that we do not
8 make it a policy to sell these debentures. We
9 really make them available and in some instances
10 there was one organization brought in a large
11 amount at one time, \$100,000 and quite honestly
12 I would rather not see them buy it but we could
13 not say to our members: "Here is a service" and
14 when they are going to use it cut them off.

15 COMMISSIONER BROWN: I was getting at
16 how you decided what rate you should pay. Is
17 it relative to what you can buy debentures at
18 or what they can be sold at?

19 MR. BEST: It is relative to what
20 our members can obtain money for elsewhere.
21 If they can get five and a half per cent we have
22 money to loan out at six per cent. If our members
23 are borrowing from us at six per cent and some
24 other members are prepared to put money in at
25 five and a half per cent we pay five and a half
26 per cent because they can get five and a half per
27 cent elsewhere.

28 COMMISSIONER BROWN: You say you will
29 sell your own investments at a five per cent
30 yield basis?



1 MR. BEST: We would then sell the invest-
2 ments. You are looking at the graph here where
3 investments are very high. You have a few
4 years, if you will note, where the investment in
5 1959 was 12.5 per cent which probably was no more
6 than required for liquidity. Now, we could not
7 sell investments in order to make loans if it is
8 going to take the investment portfolio and cash
9 down below the level of deposits. We would then
10 have to refuse the loans or get money in from
11 some other method. So we do not always have a
12 choice as simply as you might wish. It might
13 be impossible to cash.

14 ACTING CHAIRMAN: I gather that part
15 of your strategy here is that the deposits which
16 are being withdrawn because there are better
17 rates of interest elsewhere you can recapture
18 through debentures to a degree?

19 MR. BEST: Yes, and to encourage new
20 money to come in.

21 COMMISSIONER GIBSON: Of course you
22 would not do very well if you paid five and a
23 half per cent and put it out at six per cent
24 bearing in mind your liquidity requirement,
25 etcetera.

26 MR. BEST: This is why we do not encourage
27 in any great way the sale of debentures.

28 MR. BRIGGS: I think at the time they
29 were issued it was pretty helpful in assisting
30 the development of the Society. At the present



1 time we are probably not too concerned with it.

2 MR. MITCHELL: If I might say a word
3 I think another point that has been overlooked,
4 the debenture programme was originally set up
5 several years ago in order to provide some long
6 term money. Before the programme was set up the
7 only money the society had other than its share
8 capital was deposit money which was withdrawable
9 practically on demand.- some actually on demand
10 and other practically on demand and there was a
11 demand for long term bonds and this would be
12 loaned mainly to co-operative associations which
13 are members and it was felt that you could not
14 use demand money in any great quantity for
15 making long term loans. So the debenture pro-
16 gramme was set up as a device to get the equi-
17 valent of five year loans or deposits, whichever
18 you want to call them, and it was then the only
19 procedure the policy that only a percentage of
20 this money could be used for making long term
21 loans. At that time the only investment the
22 society had was the investment required for the
23 liquidity reserve which by law could not be used
24 for loans.

25 The situation is obscured by the fact
26 that in the intervening years the loan demand has
27 dropped off and deposits for the same reason have
28 increased and now there is several millions of
29 dollars on hand for which there is no demand in
30 loans and that confuses the picture.



1 At the time the debentures set up was
2 inaugurated you must remember that the liquidity
3 reserve could not be used for loans and there was
4 a demand for long term loans and this was the
5 device to get five year money.

6 COMMISSIONER GIBSON: Actually in your
7 statement the loans to co-ops, six to ten years,
8 are just a little larger than the amount of the
9 debentures you have outstanding?

10 MR. MITCHELL: That is right, but in
11 addition share capital is long term money too.
12 There are people who would be willing to invest
13 in a five year term debenture but would not be
14 willing to invest the same amount of money in
15 share capital even though the rate of return
16 was the same. So that in addition to the per-
17 manent share capital this kind of permanent type
18 of money could be used for long term loans and
19 that was the reason for it. The rate of interest
20 may be totally out of line with the rate of re-
21 turn on the investment today.

22 COMMISSIONER GIBSON: Your limit is
23 six per cent maximum rate per member, is it?

24 MR. MITCHELL: No, there is no limit.

25 COMMISSIONER GIBSON: Would you loan the
26 money for six to ten years under the circumstances
27 at six per cent now?

28 MR. MITCHELL: I do not think there would
29 be much loaned at six per cent now but that was
30 probably -- I am not sure what is included in



1 that.

2 MR. BEST: Which figure are you referring
3 to, Mr. Gibson?

4 COMMISSIONER GIBSON: Well, you have an
5 item on here "loans to members" and you give them
6 in three term groups.

7 MR. BEST: Some of that would be over
8 six per cent. There is nothing there that says
9 it is limited to six per cent. Some of it might
10 be six per cent, most of it over six per cent,
11 probably seven per cent, and some five and a
12 half per cent.

13 COMMISSIONER GIBSON: So that the
14 five and a half per cent you paid for short term
15 debentures is related really not to the six per
16 cent return but a seven per cent return?

17 MR. BEST: Yes, sir, to a higher return.

18 COMMISSIONER LEMAN: Mr. Briggs, a
19 few minutes ago you called our attention to your
20 liquidity position through calling our attention
21 to Exhibit 8. In relation to that, however, I
22 note paragraph 24 of the brief where you make
23 the point that of the large amount of accounts
24 necessary in chartered banks the amount has been
25 considerably higher than five per cent than the
26 supply of deposits. I gather this necessity for
27 a large number of accounts is tied in with this
28 chequing privilege?

29 MR. BRIGGS: That is right, the primary
30 chequing.



1 COMMISSIONER LEMAN: Would you regard this
2 in relation to what might be higher liquidity or
3 in relation to what would be the minimum required
4 as a cost associated with the chequing system?

5 MR. BRIGGS: Not entirely. The extra
6 five per cent is there in some cases because of
7 accommodations where they cannot be provided for;
8 in other words, that is the extra bank accounts
9 we must maintain outside of Toronto where we
10 are pooling the current accounts for primary
11 chequing of the credit unions or co-operatives.
12 Part of it, though, we think is unnecessary
13 where we are required to keep accounts with the
14 eight chartered main offices in Toronto. We feel
15 we could cut the total if we had one bank account
16 in Toronto.

17 COMMISSIONER LEMAN: But from another
18 angle do you feel that this causes you to have
19 more cash than you would have if you had com-
20 plete freedom?

21 MR. BRIGGS: Oh, yes, certainly.

22 COMMISSIONER LEMAN: As regards the
23 cost of the chequing system?

24 MR. BRIGGS: : That is correct. I drew
25 that distinction that some of the accounts would
26 not be necessary if we were not required to have
27 an account with the head offices or main offices
28 of each bank in Toronto. We could eliminate seven
29 central bank accounts.
30



1 MR. BRIGGS: As a service organization
2 I think we feel that part of the banking require-
3 ment is giving our members service, that is why
4 we are organized so if it costs a little bit to
5 give them service it is all right.

6 MR. BEST: If we had money tied up in
7 a bank account in, say, London, Ontario, operating
8 a current account service for credit unions only
9 to give that service we are required of necessity
10 to have some balance in that bank. You could say
11 we consider that a cost. It is the cost of
12 acquiring the current accounts of those organiza-
13 tions at that point.

14 COMMISSIONER GIBSON: I realize this is
15 not your direct business but I wonder if you would
16 care to make any comments on the growth of the
17 credit union movement in Ontario. We had an
18 interesting discussion with the League this
19 morning about this matter and you must have
20 watched it with interest, with special interest.
21 I wonder if you would care to give your slant
22 on why the movement is growing so rapidly?

23 MR. BEST: I do not think, Mr. Commissioner,
24 I think I would not disagree with anything that
25 was said then and I am not sure I can repeat it
26 verbatim and therefore I will take you up on your
27 first remark that it does not come particularly
28 within our field.

29 COMMISSIONER GIBSON: I did not expect
30 you to disagree. I thought you might have some



1 further thoughts.

2 MR. BEST: When I do not disagree I think
3 it would be just repetitious but I think it out-
4 lines what we think of the case for growth.

5 COMMISSIONER GIBSON: Well, let me
6 pursue the subject this way. You put more
7 emphasis than most of the other people from the
8 credit union movement have on competitive rates
9 of interest and this sort of thing. There has
10 been some emphasis from others on the purpose,
11 bond, etcetera perhaps and less emphasis on the
12 competitive factor of interest rates, etcetera.
13 I just wondered if you had any thoughts on
14 whether one of the main reasons for the growth
15 in the credit union movement is the fact that
16 people can get money at reasonable rates,
17 etcetera, compared with other sources of money?

18 MR. BEST: I think that is one of the
19 factors we mention in the brief. The reason we
20 do not pretend to express any views on this is
21 the fact that we are, you might say, a commercial
22 organization and we have been involved entirely
23 with pooling the resources of the co-ops and
24 credit unions and keeping these resources at work
25 in the movement and leaving to the League the
26 promotional and organizational and educational
27 work involved in this other part of the field.

28 MR. BRIGGS: I think, Mr. Gibson, that
29 the growth is because of the outline of the credit
30 union and its purposes. I think that the outline



1 of the people of the credit unions, the fact that
2 they can borrow money a little more advantageously
3 than from other sources is one factor. I think
4 the growth of the league itself and its operations
5 which has field men going out into practically
6 every area in Ontario and educating people, is
7 another contribution. There are three basic
8 reasons.

9 MR. MITCHELL: I would like to add one
10 or two comments that may help the Commission.
11 Again I preface them by the fact that we have no
12 status to speak for credit unions but I think
13 there is one point that has been overlooked.
14 First of all, since the post-war years there
15 has been a tremendous growth in all types of
16 consumer finance organizations including credit
17 unions. I am not competent enough in my own
18 mind to know what the reasons are but this
19 probably has something to do with pressure sales
20 of consumer goods and selling on credit seems to
21 be the order of the day.

22 Into that picture if you blend credit
23 unions which did not really get going until the
24 post war years a very small increase in credit
25 union activities will be reflected as a large per-
26 centage. If you have only got one credit union
27 and you get one more it is a one hundred per cent-
28 increase or if you have \$100 and you get another
29 \$100 it is a one hundred per cent increase so
30 that percentagewise the credit unions have grown



1 because they started from a small beginning.

2 I think also the competitive rates -
3 most credit union people realized they can get
4 loans, if they want a loan, from the credit union
5 cheaper than most other sources. I think also
6 there is a feeling that they are dealing with
7 their own organization and if there are profits
8 they will be returned to them in some form
9 whereas if they go to a finance company that
10 may not be true.

11 I am not minimizing the other reasons
12 given by the credit union league and other
13 speakers but I think these are some of those
14 reasons that have been probably overlooked in
15 answering the questions.

16 COMMISSIONER GIBSON: Thank you, Mr.
17 Mitchell.

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1 COMMISSIONER LEMAN: When we ask that
2 question no one ever mentioned income taxes? Is
3 there a factor there?

4 MR. MITCHELL: I don't think it is a
5 factor that has to do with the growth of the credit
6 union -- I don't know. Credit unions are, of
7 course, exempt from income tax if they comply
8 with certain requirements, which most of them
9 comply with.

10 COMMISSIONER LEMAN: You don't think
11 that is a feature?

12 MR. MITCHELL: It would have an effect
13 on the profits they were able to distribute.

14 COMMISSIONER BROWN: And the costs,
15 in effect, too.

16 MR. BRIGGS: I don't think the average
17 credit union member thinks of any benefit through
18 income tax by belonging to a credit union.

19 ACTING CHAIRMAN: Is there any evidence
20 as to whether the credit union expansion has been
21 relatively greater than the consumer finance
22 expansion in total?

23 MR. MITCHELL: I don't know, Dr.
24 Mackintosh.

25 ACTING CHAIRMAN: I think this is really
26 the test. You have entered into a field which
27 itself has a very great expansion.

28 MR. MITCHELL: Yes. I have seen figures
29 that show the percentage increase in deposits in
30 credit unions as compared with the percentage



1 increase in deposits in banks and trust companies
2 and other institutions, and in some cases
3 percentage-wise it may be higher, but in total it
4 is considerably less.

5 COMMISSIONER GIBSON: There is no
6 comparison in the percentages in the last seven
7 or eight years: The credit unions have grown much
8 more rapidly than any other type of financial
9 institution, I think.

10 MR. MITCHELL: They start on a very small
11 base, of course.

12 ACTING CHAIRMAN: Are there any other
13 questions? Then, we thank you for your submission,
14 Mr. Briggs. The Commission will later hear from
15 the Canadian Co-Operative Credit Society whom
16 you seem to have designated as the theorists of
17 this.

18 MR. BEST: They had better be.

19 ACTING CHAIRMAN: We will make sure we
20 give careful consideration to your views, and
21 we thank you for helping us this morning.

22 MR. BEST: Thank you, Mr. Chairman; it
23 has been a pleasure.
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1 SUBMISSION OF MELVIN A. ROWAT

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3 ACTING CHAIRMAN: Mr. Rowat, will you
4 proceed?

5 MR. ROWAT: Thank you, Mr. Chairman.
6 I have two points I would like to draw to the
7 attention of the Commission first in regard to
8 typographical errors..
9

10 The first one is on page three of my
11 summary, the last word in the fifth line. This
12 word is misspelt and it should be "regulate".

13 The second one is on page 5 of my brief
14 and it is the second last line in paragraph 26:
15 The word should "form" instead of "from".

16 Mr. Chairman and members, it gives me
17 a great deal of pleasure to be able to read to
18 you the summary of a brief which I have submitted
19 to this Commission.

20 --- Mr. Rowat reads summary.

21 ACTING CHAIRMAN: Are there any questions
22 the members of the Commission wish to ask Mr. Rowat?
23 We have all had your brief in advance, Mr. Rowat,
24 and have read the full brief.

25 COMMISSIONER LEMAN: I am a little puzzled
26 and
27 by the expression used "desirable/ for sale production"
28 of our country. What is your measurement system
29 which you would use for this?

30 MR. ROWAT: The answer to that, Mr. Leman,
I would say is this, that if a farmer produces



1 cattle beef which he wished to consume himself, it
2 would be desirable for his consumption, but it would
3 not be for sale. There should be no money issued
4 against that; but, on the other hand, if some
5 farmer produces cattle beef that is for sale, and
6 therefore it was saleable because the people wished
7 to consume it, then I say that would be desirable and
8 for-sale production, and there should be money made
9 available through the Bank of Canada so the people
10 can enjoy the fruits of their own labour.

11 COMMISSIONER LEMAN: You have explained
12 what the concept is in general terms, but I would
13 ask you what would be the mechanics of measurement?
14 How would you go about measuring the desirable
15 for sale production?

16 MR. ROWAT: The mechanics, I would
17 suggest, would be to use the inventory of unsold
18 production presently filling the stores and warehouses
19 which have caused the factories to close down.
20 It is my contention when the amount of money in
21 circulation is balanced with the desirable and for
22 sale production of our country it would allow
23 Canadians to enjoy the fruits of their own labours,
24 and empty their stores and warehouses, thereby
25 creating a demand for more production, thus solving
26 the unemployment problem.

27 COMMISSIONER LEMAN: Do I understand
28 when the demand for those goods is high, and therefore
29 the total supply is low, and contrast that with the
30 other situation when demand is very low and total



1 supply is high, that the money supply would be
2 in inverse propostion to the two of them?

3 MR. ROWAT: I would suggest the money
4 supply should always be directly related to the
5 desirable and for sale production of our economy,
6 and I would suggest also when this becomes a
7 reality the only thing that will determine our
8 standard of living will be our ability to produce
9 goods and services. We would never have another
10 depression like the one in the 30's, which I
11 remember vividly as a boy. It would eliminate this.

12 ACTING CHAIRMAN: Your money supply,
13 however, is a stop; your production is a flow.

14 MR. ROWAT: That is right.

15 ACTING CHAIRMAN: Is your stop equal
16 to a week's flow, or a year, or five years?

17 MR. ROWAT: You must understand, that the
18 proposals put forth in this brief are brief. I
19 didn't go into all the mechanics of it, but I would
20 suggest whenever you have the competitive free
21 enterprise system -- and I don't believe there are
22 many Canadians who don't want a free enterprise
23 system -- when you have ways and means of consuming
24 the production, then you have corrected the problem.
25 They talk in this country of the problem being
26 over-production. I suggest to you, gentlemen,
27 it is under-consumption, and you go down and take
28 a look at the lineup in front of the Scott Mission
29 and some of the other places in Toronto, and I
30 assure you the problem is under-consumption and not



1 over-production. I suggest the only thing these
2 people need to satisfy their desires is purchasing
3 power, and the purchasing power of our country
4 should come into being by being created by the Bank
5 of Canada in direct proportion to the country's
6 needs, whereas the chartered banks are able to
7 create money. As Mr. Trimble puts it, they create
8 it out of thin air and charge us interest on it,
9 which verifies the fact, applying the Bank Act,
10 that the chartered banks can make a gross income
11 of \$60 million a year.

12 COMMISSION GIBSON: Do you seriously
13 make that statement?

14 MR. ROWAT: I am very serious in making
15 that statement.

16 COMMISSIONER GIBSON: You put a lot
17 of emphasis on facts, and I would suggest you get
18 out Schedule Q which is put out by the Department
19 of Finance of the Government of Canada, which gives
20 the gross operating income and the annual expenses
21 of all the chartered banks, and you can then see how
22 accurate your statement is.

23 MR. ROWAT: This statement is still
24 correct, may I suggest.

25 COMMISSIONER GIBSON: I am just asking
26 you to look at those figures; that is all.

27 MR. ROWAT: I am prepared to prove this
28 statement as being correct, as being verified by
29 the research department of the Bank of Canada, in
30 as much as while discussing this with them the



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Toronto, Ontario

- 1166 -

1 question was raised of two individuals going into
2 a chartered bank, one wanting to borrow \$1,150,
3 and the bank manager, or the one in charge of the
4 situation, said, "We cannot loan you any money.
5 We are loaned to saturation".
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1 Upon the deposit of \$100, it increased
2 their cash reserve by \$100, enabling them now to
3 run \$1,150 of bank credit, which appears as a
4 deposit in the borrower's account.

5 COMMISSIONER GIBSON: That was in your
6 brief. I was just asking you to look at the other
7 facts relevant to that situation.

8 COMMISSIONER LEMAN: There is something
9 I do not quite follow here. You say that it costs
10 the bank nothing to create this huge stock of money
11 and credit. Therefore why would they be reluctant
12 to create millions and millions of it?

13 MR. ROWAT: Why would they at which level?

14 COMMISSIONER LEMAN: You say it costs
15 nothing and they thrive on it; the more they create
16 the more they thrive and it costs them nothing to
17 do it and yet you imply that they would be reluctant
18 to create mountains and mountains of it.

19 MR. ROWAT: You must understand, I
20 think, if you go back to your Bank Act you will find
21 that their cash reserves must be in the form of
22 deposits in notes of the Bank of Canada. Therefore
23 if the Bank of Canada does not increase the over-all
24 supply, neither can the chartered banks increase
25 theirs. They cannot increase the credit on bank
26 deposits but they can increase them on deposits of
27 the Bank of Canada in their possession.

28 ACTING CHAIRMAN: Are there any further
29 questions? Then, thank you, Mr. Rowat, and the
30 Commission will give consideration to your brief,



1 as it has already.

2 MR. ROWAT: I thank you very much for
3 giving me this hearing.

4 ACTING CHAIRMAN: I think we will take
5 time this morning to hear the brief of the British-
6 Israel World Federation which will be the last one.
7 we will hear this morning.

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SUBMISSION OF BRITISH-ISRAEL-WORLD
FEDERATION (CANADA) INCORPORATED

APPEARANCES

R.E. Wemp - Dominion Commissioner

MR. WEMP: I think all you gentlemen have a copy of our brief. I was going to start reading it on the first page where it says: "Summary". I would like to make a very brief preamble to the thoughts that we are trying to express in this brief.

The Anglo-Celtic-Saxon peoples of the world have built up the finest civilization this world has ever known. It has been built on what we call the common law.

Now, our common law, every bit of it is based upon what we call the divine law. The lawyer may call it the Mosaic Code. I prefer to use the term "divine law" for the law so given to us by the Creator of the universe.

In every instance where our civilization has shown progress and good results, those results are directly related to our conformity to the laws of this divine system, and everything that we have evil in our civilization is also directly related to our non-conformity to those laws.

In other words, there is a law in operation which seems to indicate that partial



1 obedience to rules and regulations bring partial
2 blessings. If we were to administer these laws
3 in full instead of partially, then we could have,
4 I believe, everything for which the human heart
5 longs.

6 --- Mr. Wemp read the summary to his brief.

7 There are five main financial laws
8 in the Divine economic system which we are commanded
9 to obey, everyone of which is recognized in principle
10 by our governments that have all been corrupted
11 in their application thus imposing a burden of
12 debt upon governments and people generally recognized
13 as being impossible of payment. These laws are
14 quoted in full in the main body of this brief in
15 the paragraphs enumerated and are enlarged upon
16 with supplementary laws in the six booklets outlining
17 the entire Divine economic system. We will not go
18 into them now because we are just reading the
19 summary, but for those who want further information
20 we give the page and paragraph, and in those six
21 small booklets that each member of the Commission
22 received, you have a very brief digest of the entire
23 Divine economic system.

24 The five main financial laws are:

25 (1) to create a standard measure of
26 value. I do not think any nation on earth has yet
27 done that.

28 (2) to abolish the interest system.

29 There is nothing that is more condemned by Almighty
30 God than the interest system.



1 (3) To cancel all debts -- that is,
2 all ordinary debts -- every seventh year.
3 Everyone would have a clean slate to start with,
4 That does not refer, I believe, to the purchase of
5 a home where the payments can be spread over a
6 great many years,

7 (4) To recognize the income tax as
8 the only legal tax, There should be no other taxes,

9 (5) To lend freely without interest
10 for all legitimate purposes. We have an invariable
11 standard of weights and measures, but the same
12 law demands a standard measure of value which we
13 ignore.

14 ACTING CHAIRMAN: Thank you, Mr. Wemp.
15 Do any of the members of the Commission wish to
16 ask any questions of Mr. Wemp? If not, then that
17 concludes our hearing, Mr. Wemp.

18 MR. WEMP: I would just like to say
19 that our main purpose was to bring these laws to
20 your attention, in the hopes that you might make
21 such a recommendation to the Dominion Government
22 to set up a Royal Commission to investigate the
23 whole system; then if it is found practical, all
24 right, let us do something about it.

25 ACTING CHAIRMAN, Thank you.

26 MR. WEMP: Thank you, sir.

27 ACTING CHAIRMAN: The Commission will now
28 adjourn its hearing and we will resume tomorrow at
29 9.15 A.M. I think the first submission is Gairdner
30 and Company.

Royal Commission on Banking and Finance

Hearings
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SUMMARY OF BRIEF

Presented By The

ONTARIO CREDIT UNION LEAGUE LIMITED

To The

ROYAL COMMISSION ON BANKING AND FINANCE

This brief encompasses the origin, philosophy, growth and development, operation, services and objectives of Ontario Credit Unions and associations thereof, together with controlling legislation and the place of credit unions in the economy of the province.

From small beginnings in 1913, credit unions in Ontario had by 1949 increased to 436 with total assets in excess of \$21,000,000, and by 1960 to over 1400 with assets of over \$234,000,000.

More than half of the 1350 League member credit unions are of the industrial type, most of which are located in the central southern part of the province, where the heaviest concentration of credit unions is to be found.

A credit union in Ontario is an association of people having a common bond, incorporated under provincial charter, for the main purpose of encouraging savings and providing low-cost loans, owned and operated solely by the members for the benefit only of the members.

A credit union is operated by a Board of Directors, which is responsible for the overall administration, a Secretary and Treasurer, a Credit Committee which approves loans and a Supervisory Committee which examines and audits the records and books. The Board and Committees are elected by the membership.

League member credit unions are associated in 27 local areas as Chapters, the functions of which, in co-ordination with the League, are to promote, educate and protect their credit unions and the movement generally.

In 1942 the Ontario Credit Union League Limited was incorporated under provincial charter, being a voluntary association of provincial credit unions and acting as the



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2
3 co-ordinating body for them and for the Chapters. Its functions include organ-
4 ization, education, publicity, and examination of credit unions (co-operating with
5 the Department of Insurance, Credit Unions Branch in this latter field). The
6 League also works closely with the Provincial Government in connection with
7 changes in credit union legislation.

8 In addition to the Administration Department of the League which is financed by
9 dues of \$1.00 per year paid by members of member credit unions; the League
10 Central Department exists to receive surplus funds from member credit unions
11 by way of shares and deposits, and to loan moneys to credit unions needing extra
12 funds.

13 The League is a member of the Credit Union National Association (CUNA), and
14 pays to CUNA nine cents of every dollar of the above-mentioned dues.

15 Ontario credit unions are controlled by provincial legislation in the form of the
16 Credit Unions Act and the Corporations Act, and are open to government
17 inspection, whilst those credit unions in membership with the League are open
18 also to examination by the League. The employment of external auditors is not
19 statutory, though many credit unions do employ them, whilst the inspections and
20 examinations referred to above are comprehensive enough to provide efficient
21 province-wide supervisory control of credit unions.

22 The bulk of credit unions' assets are represented by loans to members. Surplus
23 funds are deposited mainly with the League Central and to a lesser degree with
24 the Ontario Co-operative Credit Society, or invested in these two bodies or in
25 government bonds and other securities. In addition, credit unions maintain a
26 reasonable liquidity, and have borrowing powers up to 50% of their capital,
27 deposits and surplus. The bulk of their borrowing is from the League Central,
28 with the Co-operative Credit Society and Chartered Banks providing most of the
29 balance. League Central has ample funds to meet credit union requirements, and
30 also has power to borrow when required. No liquidity reserve ratios are required
by law, and this league is of the opinion that no legal requirement is necessary.



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3 The bulk of credit union liabilities are represented by members' shares and
4 deposits, both of which are readily withdrawable. Shares, generally of \$5.00
5 each, are eligible for dividend approved by the membership upon recommendation
6 of the Board of Directors, whilst deposits are either term or of the personal
7 chequing (negotiable order) type. This latter service is currently provided by
8 about 6% of Ontario Credit Unions either through local banks or the Ontario Co-
9 operative Credit Society, and it is believed that provincial legislation to regulate
10 this type of service is pending.

11 There are no arrangements in Ontario for the insurance of deposit and share
12 liabilities of credit unions, and this League is of the opinion that such insurance
13 is not necessary because of the existence of other means by which the members'
14 equity is protected. In 1961, with membership approval, the League established
15 a Stabilization Fund, for the purpose of assisting participating credit unions in
16 financial difficulty or in liquidation. The Stabilization Fund, together with such
17 controls and supervision as are outlined in the Brief, give to the members, in our
18 opinion, adequate protection against loss.

19 This league feels that its member credit unions are in a favourable position in
20 relation to other financial institutions to receive the savings dollars of credit
21 union members, because such members are associated in a common bond and
22 own their credit unions, because dividend rates are comparable, and because of
23 the insurance on their savings. Likewise the credit unions are in a favourable
24 position regarding lending, because members borrow from their own organization,
25 and at a reasonable interest rate (generally subject to rebate), and again because
26 of the insurance protection they enjoy.

27 The League feels that Ontario credit unions have an increasingly important place
28 in the economy of the province and in the well-being of its people, more than
29 half-a-million of whom are credit union members. Among the accomplishments
30 of these credit unions we mention the following:

1. Successful encouragement of thrift.
2. Making available low-cost loans to many people not otherwise eligible for



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such loans.

3. The training of thousands of voluntary workers who give time and talents in the service of their fellow-men.

4. Family financial counselling.

5. Improvement of relations between labour and management by industrial credit unions.

6. Improvement of local economic conditions through strong community credit unions.

To conclude, this League is of the opinion that current Provincial legislation for credit unions is adequate, and well administered by the Ontario Department of Insurance.



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TO: THE HONOURABLE CHIEF JUSTICE DANA HARRIS PORTER, CHAIRMAN,
----- AND MEMBERS OF THE ROYAL COMMISSION ON BANKING AND FINANCE

Gentlemen:

In compliance with the request made by your Royal Commission, the Ontario Credit Union League Limited is pleased to submit herewith its Brief. It is gratifying to note that the Commission has recognized the importance of the Credit Union Movement in the economy of Canada. The Ontario Credit Union League is very happy to volunteer the information contained in the Brief and its appendices and is most willing to assist the Commission in any way it can.

The Ontario Credit Union League in the preparation and submission of this Brief has attempted to comply with all the guides and directives suggested by the Commission.



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I. STRUCTURE, ORGANIZATION AND MANAGEMENT

An Outline of the History and
Present Status of the Credit
Union Movement in Ontario

NUMBER, MEMBERSHIP & GEOGRAPHICAL DISTRIBUTION

P 1 Credit Unions were first introduced into Canada at Levis, Quebec, by
Alphonse Desjardins, a Quebec Legislative reporter, in the year
1900. There was no enabling legislation for credit unions until the
year 1906, when through the efforts of Desjardins, the Co-Operative
Syndicates Law was passed. By 1908 there were 18 credit unions or
Caisses Populaires in Quebec, with an additional six in the process of
formation.

P 2 Credit is given Desjardins for organizing the first credit union in the
United States, that of the Parish of Ste. Marie, Manchester, N.H. in
the year 1909. Desjardins also assisted in securing the first credit
union law in the United States, in the same year, 1909, in the state
of Massachusetts.

P 3 It is not generally known that Desjardins, equally fluent in English as
well as his native tongue, organized credit unions in Ontario. In 1913
there were some twenty credit unions in operation in Ontario, of
which Desjardins was credited with organizing 12. It is on record
that he spoke in October 1913 in the City of Toronto, urging the for-
mation of more credit unions or Caisses Populaires (Peoples' Banks).

P 4 In the year 1949 we find there were some 423 active credit unions in
Ontario, most of which were League Members and having a member-
ship of 118,660. They had share and deposit savings of \$19,385,265.
outstanding loans of \$16,197,503, and combined assets of \$21,377,370.

These credit unions were distributed over the province as follows:

104 in Toronto - 44 in Hamilton - 35 in Windsor - 26 in the
Cochrane District, 19 in the Thunder Bay District, 19 in
Ottawa, and 15 in Simcoe County, and the balance of 161
located in various other communities across the province.

1. STRUCTURE, ORGANIZATION AND MANAGEMENT

By common bond of association they were made up as follows:

Parish - urban	77	Occupational - Industrial	92
Parish - rural	42	- Public Service	40
Racial	28	- Utility Employees	37
Co-Ops - urban	16	Miscellaneous	24
Co-Ops - rural	15		
Community - urban	26		
Community - rural	26		

By the end of 1960, a decade later, we find there were 1,350 credit unions, members of the Ontario Credit Union League, with a membership of 413,908 adults (over the age of 18 years) and 50,000 non-dues-paying members under the age of 18 years. The Ontario Department of Insurance, Inspection of Credit Unions Branch, estimate that in addition there are some 77 Caisses Populaires, not members of the Ontario Credit Union League, with a membership of 48,600. To these must be added some 67 credit unions who are not members of the Ontario Credit Union League.

The Department of Insurance (Credit Unions Branch) statistics indicate that 1,374 active credit unions and Caisses Populaires in Ontario had, at the end of 1960, assets totalling \$234,368,369, share and deposit savings of \$202,847,813, and loans outstanding totalling \$194,466,631.

The following is a table showing the geographical distribution of credit unions by chapter area, and by type of credit union as at the end of 1960:

<u>CHAPTER</u>	<u>LOCATION</u>	<u>TYPE</u>	<u>NO. OF CREDIT UNIONS</u>	
Hamilton	City of Hamilton and immediate area	Industrial	89	
		Community	5	Total
		Religious	16	135
		Government	10	
		Association	15	
Toronto	City of Toronto and immediate area	Industrial	187	
		Community	3	Total
		Religious	67	336
		Government	27	
		Association	52	

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CHAPTER	LOCATION	TYPE	NO. OF CREDIT UNIONS	
Windsor	City of Windsor and immediate area	Industrial	67	
		Community	13	Total
		Religious	5	100
		Government	6	
		Association	9	
Lakehead	Cities of Pt. Arthur and Ft. William and area at head of Lake Superior	Industrial	12	
		Community	11	Total
		Religious	2	33
		Association	3	
		Government	5	
London	City of London and immediate area	Industrial	41	
		Community	1	Total
		Religious	12	80
		Government	10	
		Association	16	
Lambton	City of Sarnia and immediate area	Industrial	12	
		Community	6	Total
		Religious	3	26
		Government	2	
		Association	3	
Greater Niagara	City of Niagara Falls and Niagara Frontier area	Industrial	39	
		Community	9	Total
		Religious	6	60
		Government	5	
		Association	1	
Woodstock	City of Woodstock and immediate area	Industrial	26	
		Community	6	Total
		Religious	3	39
		Government	2	
		Association	2	
Ottawa	City of Ottawa and immediate area	Industrial	25	
		Community	7	Total
		Religious	10	58
		Government	11	
		Association	5	
Peter- borough	City of Peter- borough and immediate area	Industrial	9	
		Community	3	Total
		Religious	9	24
		Government	2	
		Association	1	
Linwell	City of St. Cathar- ines and Lincoln and Welland Counties	Industrial	19	
		Community	6	Total
		Religious	2	29
		Government	1	
		Association	1	
Kenora	Town of Kenora and immediate area	Industrial	1	
		Community	10	Total
		Religious	5	17
		Government	1	



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<u>CHAPTER</u>	<u>LOCATION</u>	<u>TYPE</u>	<u>NO. OF CREDIT UNIONS</u>	
Kitchener-Waterloo	Cities of Kitchener and Waterloo and immediate area	Industrial	47	
		Community	3	Total
		Religious	13	74
		Government Association	7 4	
Sudbury	City of Sudbury and immediate area	Industrial	4	
		Community	11	Total
		Religious	6	30
		Government Association	4 5	
Brantford	City of Brantford and immediate area	Industrial	30	
		Community	3	Total
		Religious	3	42
		Government Association	5 1	
Lakeshore	Towns of Mimico, New Toronto and immediate area	Industrial	39	
		Community	4	Total
		Religious	9	64
		Government Association	8 4	
Stratford	Stratford and immediate area	Industrial	1	
		Community	4	Total
		Religious	2	9
		Government Association	2 0	
Georgian Bay	Counties of Bruce Grey, Dufferin, Muskoka and Simcoe	Industrial	9	
		Community	20	Total
		Religious	11	47
		Government Association	4 3	
Kent	City of Chatham and Kent County	Industrial	5	
		Community	3	Total
		Religious	8	21
		Government Association	3 2	
Algoma	Sault Ste. Marie and immediate area	Industrial	5	
		Community	3	Total
		Religious	1	12
		Government Association	3 0	
St. Thomas	City of St. Thomas and immediate area	Industrial	9	
		Community	3	Total
		Religious	2	16
		Government Association	2 0	
Northland	Timmins, Kapuskasing and immediate area	Industrial	1	
		Community	10	Total
		Religious	4	19
		Government Association	4 1	

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<u>CHAPTER</u>	<u>LOCATION</u>	<u>TYPE</u>	<u>NO. OF CREDIT UNIONS</u>	
Huron	Clinton, Goderich Seaforth and immediate area	Industrial	0	Total 6
		Community	5	
		Religious	1	
		Government	0	
		Association	0	
Quinte	Trenton, Belleville Kingston and immediate area	Industrial	19	Total 34
		Community	4	
		Religious	2	
		Government	7	
		Association	2	
Oshawa	City of Oshawa and immediate area	Industrial	5	Total 18
		Community	5	
		Religious	4	
		Government	1	
		Association	3	
Brockville	City of Brockville and immediate area	Industrial	7	Total 11
		Community	2	
		Government	1	
		Association	1	
North Bay	City of North Bay and immediate area	Industrial	3	Total 10
		Community	2	
		Religious	3	
		Government	2	
Grand Total Credit Unions			1,350	

Grand Totals by classification:

Industrial Type credit unions	711
Community Type credit unions	162
Religious Type credit unions	209
Government civic, provincial and federal	130
Association Type credit unions	138
	<u>1,350</u>

From the aforementioned figures it will be seen that the preponderance of credit unions are of the industrial type, there being more of this type in Ontario than all other types combined. This may be explained in two ways. Firstly, credit unions are composed of groups of people with a bond in common, such as employees of a particular firm or business, members of a particular church, fraternal organization, labour union or ethnic group. Credit unions may also be formed on the basis of residence in a particular community or area. Ontario being highly industrialized, employment forms by far the most common bond for credit union membership.



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Secondly, in Ontario, it is required that there be a minimum potential of at least 100 members for the formation of a new credit union, and common employment is generally the source for this potential.

P 9 One of the greatest incentives for saving in the credit union is the privilege of payroll deduction for credit union purposes, which has been granted by many industries to the credit union operating in their plant or business. It provides a painless way for the member to save by adding regular and specified sums to his credit union share account. In addition, it makes for regular repayments to the credit union of the money that the member has borrowed from his credit union.

P 10 It will also be seen from these figures that the concentration of credit unions in Ontario is in the central southern portion of the province, where there is the greatest concentration of industry and consequently of population, with 15 of the 27 chapters in the League being located in this area.

ORGANIZATION AND NATURE OF OPERATIONS

P 11 The nature of operations of credit unions could be described, in the greater majority of credit unions, as do-it-yourself financing. The credit union is wholly owned by its members who elect from amongst themselves the individuals who will carry on, on a voluntary basis, the operation of the credit union. The members elect a Board of Directors which has the over-all responsibility of operating the credit union, a credit committee which is responsible for the granting of loans to the members, and a supervisory committee (audit committee) which regularly checks the books of the credit union to see that they are in balance, and that all transactions of the credit union are within its By-laws (Appendix 02) and the provisions of the Credit Unions Act. (Appendix 01)

P 12 The credit union is formed in the first instance because a group of individuals, having a common bond of association, such as place of



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employment, church membership, members of a union or fraternal organization, members of an ethnic group, or residents of a particular community, petition the Provincial Secretary to grant them a charter to operate a credit union among themselves. In most cases these individuals will contact the Ontario Credit Union League as to the possibilities of securing a charter for a credit union to service their group. The League, through its educational and organization department, and in co-operation with the local chapter of credit unions for the area in which the group is situated, then makes a survey of the group. This survey is to assure that there is a sufficient potential membership to ensure a properly functioning credit union, that the majority of those concerned desire to have a credit union, and that there will be among them individuals capable of performing the duties of the various offices in the credit union. When it is established that these conditions can be met, meetings of the group are held to acquaint them with the history, functions, responsibilities, legal requirements, etc. of credit unions. They are given printed material to read and study, and are encouraged to present any questions or problems they might have regarding a credit union (Appendix 014). If it is found at this series of three or four meetings, that there is a real desire and a need for a credit union, and that there will be capable people available to operate the credit union, the necessary documents required by both the Provincial Secretary and the Credit Unions Branch of the Department of Insurance for Ontario are then prepared and signed by the group. These include a memorandum or petition for the incorporation of a credit union, (which must be signed by at least twenty of the petitioners, as required by Section 5 of the Credit Unions Act), a four page questionnaire detailing all particulars of the group, names, addresses, and qualifications of the prospective officers of the credit union, letters of intent from the prospective officers, details as to the meetings the group have held and the materials used and discussed regarding credit unions



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and two copies of the proposed By-laws of the credit union. Where required, signatures are sworn to and all documents are then forwarded to the Provincial Secretary for processing. All information is turned over to the Department of Insurance by the Provincial Secretary's Department for the recommendation of the Credit Union's Branch of the Department of Insurance as to whether or not a charter should be granted. A thorough check is made by the Department of the Supervisor of Credit Unions on all the information supplied, and this department, on the basis of its investigation, then recommends to the Provincial Secretary as to whether or not the charter should be granted. If a charter is granted, it is sent to the League office, and arrangements are then made for a charter meeting, at which officers are formally elected. The League fieldman then confers with the officers and completes the application for proper bonding of all officers or employees handling monies, prepares and orders a list of materials and supplies required for the credit union to operate. The credit union is presented with various manuals of instruction, produced by the League, such as Treasurer's Handbook, Supervisory Committee Reference Handbook, A Condensed Guide to Credit Union Operations, Planning for Credit Union Growth, and a copy of the Credit Unions Act. (Appendices 03 to 06 and 01) They are also given a membership application to join their local Chapter of Credit Unions, the latter being obligated for at least a six month period to help the credit union along.

The credit union is now a legal entity -- it has its certificate of incorporation, and has elected officers to carry on the business of the credit union. The Board of Directors, consisting of not less than five directors elected by the membership, (Credit Unions Act Section 30 (1)), sets policy, and approves plans and budgets. The Credit Unions Act, Section 30(2) states, "The Board of Directors shall perform such duties as are prescribed by this Act, the



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regulations, and the by-laws of the credit union". In summary, these are the responsibilities of the directors:

- (1) They make policy decisions regarding shares, loans, dividend, salaries, etc:
- (2) They approve membership applications and membership resignations:
- (3) They approve all expenditures:
- (4) They authorize necessary bond coverage, investments, and depositories for funds:
- (5) They fill vacancies on the board between annual meetings and elections. (By-laws, Article VII, 4)

P 14 The Treasurer is responsible for the general management, including keeping of proper financial records, and conducting all financial business of the credit union. (By-laws, Article VIII, 5).

P 15 The Secretary's duties are to have custody of the books of record of the credit union, including the charter, the seal, minutes, bonding documents, etc., to keep a correct record of all meetings of members of the credit union and of the Board of Directors, and to give notice of all meetings of members in the prescribed manner, and such other duties as the Board of Directors may designate (By-laws VIII, 4).

P 16 The Credit Committee consists of at least three members elected by the membership, (Credit Unions Act, Section 31 (1)). It is the duty of the Credit Committee to act on each application for a loan made by a member of the credit union, and to make sure that the credit service of the credit union is made readily available to all of its members. If security is required for certain loans, the Credit Committee suggests to the member the type required and helps him where possible find it; it helps the member obtain



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needed loans; it helps him save money by advising, counselling and aiding him in arranging his budget.

P 17

"Sub-sections 8 and 9 of Section 31 of the Credit Unions Act provides that a credit union may by by-law provide that the Board of Directors shall appoint one or more employees to perform all or such part of the duties of the credit committee as are specified in the by-law. If the by-law provides that the person or persons so appointed shall perform all the duties of the credit committee, it shall provide that, as long as the by-law remains in force, it shall not be necessary to elect a credit committee as required by subsection 1, or that, as long as the by-law remains in force, the credit committee shall have only the powers of an advisory committee".

P 18

The Supervisory Committee consists of three members elected by the membership. (Credit Unions Act - section 32 (1)). Their first obligation is to the member, since they act in the interests of the members and not of the Board of Directors, as such. It is the duty of the Supervisory Committee to:

- (1) Examine and audit the books and affairs of the Credit Union as set forth in the Act (Section 31, 7). In most cases this is done monthly (By-laws, Article X. 4).
- (2) Submit a written report to the members at the Annual Meeting, Act, (Section 31, 10).
- (3) Cause the passbooks and accounts of the members to be verified with the records of the Treasurer on a regular basis.
- (4) Evaluate the general operations of the Credit Union and the performance of the elected officers. Section 32 (8) and (9) of the Credit Unions Act gives this committee considerable powers in the event of misappropriation of funds or of mis-management.



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3
4 P 19 Provision is made in Section 32 (11) of the Credit Unions Act, that a
5 credit union may, by by-law, provide for the appointment of an audi-
6 tor or auditors in lieu of or in addition to the Supervisory Committee
7 and may delegate to such auditor or auditors the whole or such part
8 of the duties of the Supervisory Committee as the law provides. Where
9 a credit union passes such a by-law appointing an auditor or auditors
10 to perform the duties of the Supervisory Committee as set forth in
11 subsections 7 and 10 of Section 32, the by-law may delegate the re-
12 maining duties and powers of the Supervisory Committee to the Board
13 of Directors, and provide that so long as the by-law remains in force
it is not necessary to elect the supervisory committee as required in
sub-section 1.

14 P 20 In addition to the above elected committees, the following comm-
15 ittees are commonly appointed by the Board of Directors:

- 16 a) The Education Committee - responsible for the
17 general education of the members and officers
18 regarding credit union principles, philosophy,
19 and operation; for informing the general mem-
20 bership about the benefits of credit union mem-
21 bership -- what the credit union can and cannot
22 do; and for bringing all within the bond of assoc-
23 iation into credit union membership. The Credit
24 Unions Act, Section 28 (2), provides for the
allocation of funds to finance the work of this
Committee.
- 25 b) The Delinquent Loan Committee -- responsible
26 for the collection of delinquent loans and rec-
27 ommending to the Board of Directors and Super-
28 visory Committee the writing-off to the Guarantee
29 Fund of any uncollectable loans.
30



I. STRUCTURE, ORGANIZATION AND MANAGEMENT

P 21 In describing the forms of local credit union association we come invariably to the description of a credit union - "A group of people with a common bond of association who agree to save and pool their resources in order to lend them to one another at reasonable rates of interest". In the industrial type of credit union the bond is invariably the employees of a particular company or business, but the bond can include the wives or husbands of those who become members, and also the dependents of the members. The accepted definition of dependent is that defined by the Department of Internal Revenue for income tax purposes, - "one who is wholly dependent on the individual for their sustenance and support". In the parish or church type of credit union the bond of association would be "members of the such and such Parish Church", in the ethnic type of credit union the bond of association would read "Persons of Slavic origin (or whatever racial origin is appropriate), residing in the city (or town or village) of (name of place). The bond of association of a labour group would read "Members of Local No. 1234567 of the International Union of Bridge Builders residing in the city of (name of place). The community type of credit union (in Ontario, at present, restricted to communities that do not exceed a population of 6,000), would have as its bond of association - "Residents of (e.g.) the Town of Cobourg". Only those persons coming within the bond of association of a credit union may join that particular credit union. Credit unions must strictly adhere to their bond of association and may not take any other persons into membership.

ASSOCIATIONS OF CREDIT UNIONS

P 22 Each individual credit union is affiliated to the local Chapter of Credit Unions in its particular area. A Chapter is an unincorporated association of credit unions situated in a well defined local area, having as its purpose the promotion, protection, servicing and developing of the credit union movement within its particular locality.



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The Chapter and its officers, provide "immediately-to-hand" service for their credit unions in the matters of education, advice, organizing assistance, and the general well being of the movement in the particular area. The Chapters, of which there are some 27 in Ontario, are financed through a system of grants from the Ontario Credit Union League, based on the activities displayed by the Chapter each month. Officers in the Chapter work voluntarily, and are elected to office by the credit unions in the chapter area. Meetings of the Chapters are held monthly, and are open to all credit union members. An annual meeting is held at which the credit unions elect the officers for the ensuing year. For educational purposes, the Chapter is a most valuable unit in the Credit Union Movement. It is the "grass roots contact" dealing directly with the Credit Union and the individual member. In most cases the member receives his first impressions of the movement from his Chapter. It is the Chapter that helps to mold his thinking; it is the Chapter that he looks up to for advice and help. It is the Chapter that develops the leaders in the movement, locally, provincially and on the National level. Most League Directors and National Directors received their early training and enthusiasm for the Credit Union Movement from their local Chapter of Credit Unions. (Appendix 015).

P 23

The Ontario Credit Union League Limited is an incorporated body, being chartered under the Credit Unions Act of Ontario, under date of the 27th of June, 1942 and operating currently under By-laws revised in 1961 (Appendix 036). The League is the co-ordinating body for the 1,350 credit unions who are League members, and the 27 Chapters of the League in Ontario. The prime purpose of the League is to protect and expand the credit union movement in the Province of Ontario. This is achieved in the following manner:

- (1) By providing forms and systems to make the operation of credit unions simpler and more efficient.



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(2) By providing education and educational material so that credit union members may thoroughly understand the operations and the limitations of their credit union, to the end that they may enjoy to the full the benefits of credit union membership.

(3) By providing textbooks, manuals and operational training for Credit Union officers that they may more efficiently and sympathetically discharge the duties of their office.

(4) By employing a field staff which examines and guides credit unions to ensure that they are operating within the Credit Unions Act and their own By-laws. (See Appendix 016)

P 24 The League works in conjunction with the Credit Unions Branch of the Department of Insurance in providing proper examination and supervision of credit unions; in protecting existing credit union legislation, and the securing of improved legislation for the operation of credit unions. The League, through its Central Credit Department, provides a means whereby a credit union can invest its surplus funds, funds which in turn are made available to those credit unions requiring them. The League, through its Organization Department, is continually endeavouring to bring the benefits of credit union membership to more and more people in the Province. Trained staff are ready to meet with any group, at any time, in any part of the Province, to explain credit unions and to assist in the organization of any group desiring a credit union.

P 25 The League, through its Education Department, is continually supplying leaflets, pamphlets, etc. explaining the benefits of savings



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of wise money management, of sound borrowing, of planned budgeting; the errors of easy payment plans, the pitfalls of easy credit, the costliness of indiscriminate spending. (Appendices 07 and 08).

P 26 The League, through its Field Services Department, makes a constant check into the operations of its "member" credit unions, pointing out errors and assisting in correcting them, giving guidance, advice and help in the day-to-day problems of the credit union.

P 27 The League, guided by its legal adviser, provides legal advice on any problems encountered by its member credit unions.

P 28 The League, through its League Collection Service, makes available to all member credit unions, the services of a highly successful collection system for delinquent accounts.

P 29 The League provides, through week-end workshops and panels, instruction on all phases of credit union operation, e. g. Duties of the Board of Directors, Credit Committees, Supervisory Committees, Treasurers, Education Committees, Delinquent Loan Committees, Parliamentary Procedure for Credit Unions, Conduct of proper Annual Meetings, Family Financial Counselling and Interviewing, and general education regarding the credit union movement. These are available to all credit unions in the province through their local Chapters of credit unions. All of these workshops or panels are conducted by trained, experienced and competent league staff. In addition the League provides Management Conferences for managers of credit unions to debate and solve problems.

P 30 The League has an Annual Meeting to which every member credit union, regardless of size or assets, is entitled to send one delegate and one alternate delegate. At this Annual Meeting League Directors are elected, policies are made, and the general business of the League discussed and resolved.



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At the Annual Meeting delegates elect National Directors who represent Ontario on the Board of the National organization, the Credit Union National Association (Cuna), of which this League is a member, (as are all other Canadian Leagues) through the payment of dues (9 cents per credit union member).

P 31 In his own credit union, the individual member, regardless of his share holdings, has only one vote, and the same principle applies for credit unions at the Annual Meeting of the League. Each member credit union has only one vote, regardless of the number of members or the assets of the credit union. The League is financed by dues, payable by each member over the age of eighteen years. The Standard By-laws for Ontario Credit Unions, Article XII, Section 9, provides "On or before the first day of March in each year, during the time the credit union is a member of any Federation, Regionale, or League, each person eighteen years of age or over who was a member on December 31st of the preceding year shall pay a yearly assessment of one dollar which amount may be deducted by the credit union from the share or deposit account of the member and shall forthwith be paid to the said Federation, Regionale, or League to assist in its financing."

P 32 Nine cents of each dollar dues received by the League is remitted to the National Association (Cuna), which organization provides educational and technical assistance to the various member leagues. The world-wide extension services of the Credit Union National Association (Cuna) and the organizing of new credit unions in the underdeveloped and under-privileged countries of the world, and the general expansion of the movement are financed from these dues. We will not enlarge further on the structure of the Credit Union National Association (Cuna) as it is our understanding that they will be submitting their own brief to the Commission.

P 33 One of the main objectives of the credit union movement, and one in which tremendous strides have been made in recent years is that



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3 of member education. This includes educating the individual to the
4 fact that he does have in his own hands, and within his own capabilities
5 through his membership in the credit union, the means of handling his
6 financial needs; that by learning and practising the true meaning of
7 thrift - "the wise management of one's resources" - that by systema-
8 tic and steady savings - by borrowing wisely - and by "bossing" one's
9 spending, a man need not be hounded by debt loads or by want. It in-
10 cludes the thorough education of credit union officers, committee men,
11 and employees in the true philosophy of the credit union movement -
12 "that we are our brother's keeper", and that the credit union is not a
13 profit making business, but a service organization. It is owned, con-
14 trolled and operated by its membership and dedicated to the principle
15 of mutual self-help. This education program provides the tools and
16 the knowledge to operate credit unions efficiently for the benefit of all
17 members. (See Appendices 09 to 013).

18 P 34 To summarize, the Ontario Credit Union League consists of some
19 1,350 Credit Unions and 27 Chapters in the province, guided by a
20 democratically elected Board of Directors of eighteen men from all
21 sections of the Province. It has a permanent staff of some 50 em-
22 ployees, and with the exception of clerical staff, they are all trained
23 in the operation of credit unions and include field staff located in every
24 area of the Province who are trained in accounting and bookkeeping
25 and well equipped for the job of examining into the operations of the
26 credit unions in their particular area. This staff also includes
27 specialists trained in organizing new credit unions and specialists
28 trained in the field of education and in public relations. The staff is
29 managed by a General Manager who is responsible directly to the
30 League Board of Directors. With the exception of some clerical or
stenographic help, staff of the league is generally composed of indi-
viduals who have worked in their own credit unions, have held posi-
tions in their local Chapter of Credit Unions, and in a few

of member companies. It is not a collective right in the fact that we have in the past been able to obtain his own capital through his membership in the credit union, the means of obtaining the financial needed; that by the way, and by the way, the fact that the credit union is a "self-help" organization, and that the credit union is not a profit making business, but a service organization, it is owned, controlled and operated by the members, and is not controlled by the public or by the government. This organization is a "self-help" organization, and the knowledge to operate credit unions efficiently for the benefit of the members. (See Appendix 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000)



Nethercut & Young

Toronto, Ontario

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3 I. STRUCTURE, ORGANIZATION AND MANAGEMENT

4 instances have sat on the League Board and the Board of the Credit
5 Union National Association, as volunteer workers, before coming to
6 work with the league as full time professional staff. It is our belief,
7 shared by many other Credit Union Leagues, that the Ontario League
8 is competent in its endeavours to see that credit unions in its jurisdic-
9 tion are operated as true self-help organizations; that they adhere to
10 the philosophy and ideals of the movement; that they operate in a
11 humanitarian but business-like fashion; and that they will at all times
12 operate within the provisions of the Credit Unions Act and their
13 By-laws .
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II LEGISLATION AND SUPERVISION

LEGISLATION

P. 35

The Credit Unions Act covers the legislation of credit unions, administered by the Department of Insurance, Province of Ontario. This act provides for the formation of credit unions, their incorporation and the use of the name "Credit Union". Before an application for a charter is approved by the Provincial Secretary the application is thoroughly screened by the Ontario Credit Union League Limited and the Credit Unions Branch of the Ontario Department of Insurance. This procedure ensures that the need for a credit union in a particular area or industry exists, limiting the possibility of charters being issued and then followed by dissolution procedures at some later date because of lack of activity. The Ontario Credit Union League Limited and the Credit Unions Branch of the Department of Insurance also require that the minimum potential membership is sufficient to produce an active group, and that qualified officers are available to operate the proposed credit union.

P. 36

The objects of the Credit Union movement in Ontario are set forth in the Credit Unions Act (Section 4). These objects at present are limited to:

- a) The receiving of monies on deposits from members and as payment of shares.
- b) The making of loans to members with or without security for provident and productive purposes.
- c) Making loans to other credit unions.
- d) Depositing money with and making loans to any League incorporated under the Credit Unions Act so long as the amount deposited or loaned does not exceed 25% of its share capital and deposits.
- e) Subject to the approval of the membership, making donations or gifts for the purpose of advancing the interests of the credit union or credit unions in general.



II LEGISLATION AND SUPERVISION

P. 37 Membership in Ontario credit unions is restricted under the Credit Unions Act to persons having a common bond of occupation or association, or to persons within a well defined neighbourhood or community. Credit unions generally are confined to

- a) Industrial groups
- b) Church groups
- c) Associations
- d) Community groups

Community groups are in most cases restricted to small towns, although in some larger areas industrial credit unions have been permitted to associate with study groups where plants have closed down or discontinued business in a particular area.

P. 38 Credit unions under the Credit Unions Act, may, by By-Law, hold real estate in their own name and for their own use (Section 10 of the Act); as a result a number of credit union buildings have been erected throughout Ontario.

P. 39 The Credit Unions Act (Section 15) permits credit unions by By-Law to

- a) Prescribe the purpose for which the profits of the credit union may be appropriated.
- b) Prescribe the maximum number of shares a member may hold.
- c) Prescribe the maximum amount that may be deposited by, or loaned to, a member.
- d) Provide for the expulsion and withdrawal of members.
- e) Prescribe the form of any instruments necessary for carrying the purposes of the credit union into effect.
- f) Provide for such matters as are authorized by regulations.

The Act (Section 44) further provides that the Board of Directors of the credit union shall recommend the distribution of profits to the members, and that the membership may by resolution declare a dividend on all shares at the end of the fiscal year.



II LEGISLATION AND SUPERVISION

P. 40 Shares held by members are generally in multiples of \$5.00, although the Credit Unions Act (Section 19) provides that in no case shall the shares exceed \$10.00. Such shares may be increased by subscription and admission of new members, and diminished by withdrawals (Section 20 (1)). Share certificates are not issued by credit unions, and members are not liable for shares subscribed for in excess of the amount actually paid thereon. (Section 20 (3))

P. 41 A member may, in addition to holding shares in his own name, subscribe for and hold shares and make deposits in trust for a named beneficiary without payment of an additional entrance fee. (Section 21) A fee (usually 25¢) is provided by By-Law for all persons joining a credit union.

P. 42 Joint accounts are also provided for under the Credit Unions Act which sets forth the method to be used in making payment to the survivor. (Section 22)

P. 43 Any corporation may, under the Act (Section 23) become a member of a credit union, but loans to such corporations must be approved by a joint meeting of the Board of Directors, Credit Committee and Supervisory Committee of the credit union.

P. 44 Voting in credit union affairs is restricted under the act to one vote per member, and proxy votes are permitted only when shares are held by agricultural associations, a municipal body, a school board or other corporation. (Section 24)

P. 45 Members under the age of 21 may enjoy all the rights of a member but may not hold any office in a credit union or borrow in excess of his savings, except upon a joint and several promissory note signed by him and a person over 21 years of age. (Section 25)

P. 46 The Credit Unions Act sets forth the requirements for maintaining a register of members and what such a register must contain. (Section 26)



Shares held by members are generally in multiples of \$5.00, and the Credit Union Act (Section 20) provides that in no case shall the shares exceed \$50.00. Such shares may be increased by subscription and admission of new members, and diminished by withdrawal (Section 20 (1)). Share certificates are not issued by credit unions and members are not liable for shares subscribed for in excess of the amount actually paid thereon. (Section 20 (3)).

A member may, in addition to holding shares in his own name, act as a proxy for and hold shares and make deposits in trust for a third beneficiary without payment of an additional entrance fee. (Section 21)

A fee (usually 25¢) is provided by a union for all persons joining. Joint accounts are also provided for under the Credit Union Act and sets forth the method to be used in making payment to the union. (Section 22)

Any corporation may, under the Act (Section 23) become a member of a credit union, but loans to such corporations must be approved by a joint meeting of the Board of Directors, the Loan Committee and Laboratory Committee of the credit union.

Voting in a credit union affairs is restricted under the Act to one vote per member, and proxy votes are permitted only when shares are held by agricultural associations, a municipal body, a school board or other corporation. (Section 24)

Members under the age of 21 may enjoy all the rights of a member but may not hold any office in a credit union or have access to the savings, except upon a joint and several promissory note signed by him and a parent or guardian of age. (Section 25)



II LEGISLATION AND SUPERVISION

P. 47 Provision is made in the Act whereby a member's savings may be applied against any debt due from the member to the credit union. (Section 27 (2))

P. 48 Credit unions, under the Act (Section 28 (1)) must set aside 20% of the yearly net profits to provide its members with a Guarantee Fund (Provision for Bad Debts), to protect them against possible losses on uncollectable loans. The one exception provides that when a Guarantee Fund reaches 10% of members' savings in shares and deposits it need not set aside further moneys during the current year. In order that write-offs to the Guarantee Fund may be properly controlled, the Act provides that approval must be given by the Board of Directors and the Supervisory Committee (Audit Committee) for such write-offs. (Section 28 (4))

P. 49 Interest rates on loans may not under the Credit Unions Act (Section 29 (2)) exceed 1% per month on the unpaid balance of any loan, and this rate is generally adhered to for personal loans, although rural credit unions prefer to charge a set rate on an annual basis which is less than the above-mentioned rate. Mortgage loans are also made by credit unions, at rates which we believe are comparable to other companies making such loans.

P. 50 Loans to officers and committee members, require the approval of the Board of Directors and the Supervisory Committee in addition to that of the Credit Committee before the loan may be granted. (Section 29 (3))

P. 51 The Credit Unions Act (Section 30) sets forth the responsibilities of the Board of Directors and refers to other duties prescribed in the By-Laws of the credit union. The Act itself prescribes the method to be used in filling vacancies on the Board, the number required to make a quorum, and means which may be taken to declare a vacancy on the Board. The Credit Unions Act, in conjunction with the By-Laws,



II LEGISLATION AND SUPERVISION

places the general administration of a credit union's affairs into the hands of the Board of Directors.

P. 52 Loans to members, under the Act (Section 31) must be approved by a Credit Committee composed of at least three persons. This committee under the Act has the sole authority to grant loans under certain policies set by the By-Laws and the Board of Directors, except that they may authorize the Treasurer or Manager to grant loans to members, not exceeding the shares and deposits of the member less any debts owing by him to the credit union, or loans in amounts not exceeding \$25.00 for periods up to one month. A recent amendment to the Act provides that a credit union may by By-Law delegate all or part of the duties of the Credit Committee to one or more employees of the credit union. In the event that such By-Law delegates all the duties, it is not necessary for the credit union to elect a Credit Committee, as long as the By-Law is in force.

P. 53 Supervision of a credit union's activities comes from four sources under the Credit Unions Act as follows:

1. Supervisory Committee (Section 32)
2. Department of Insurance Inspectors (Section 50 (3))
3. Credit Union League Examiners (Section 53 (7))
4. External auditors by By-Law (Section 32 (11))

The Act does not insist on external auditors for credit unions; instead it requires regular audit work to be done by a Supervisory Committee (Audit Committee) which provides regular audits similar to internal audits of other corporations, and further, particularly in larger groups, provides for its replacement by public accountants. The Supervisory Committee's work is supplemented by both the Department of Insurance Inspectors and Ontario Credit Union League Limited Examiners, who make regular reviews of the credit union operations. The Supervisory Committee, unless replaced by external auditors completely, under the By-Laws is required to report conditions which exist in a credit



II. REGULATION AND SUPERVISION

places the general administration of a credit union's affairs under the hands of the Board of Directors.

Loans to members, under the Act (Section 31) must be approved by a Credit Union three committees of at least three persons. This

committee under the Act has the authority to grant loans under certain policies set by the By-Laws and the Board of Directors, or

that they may authorize the President or Manager to grant loans to members, not exceeding for each member and for each of the members

any debts being granted to the credit union, or loans in amounts not exceeding \$10,000 for each member up to one month. A recent amendment

to the Act provides that a credit union may, if By-Laws delegate authority to the Board of Directors of the Credit Union to one or more employees

of the institution, in the event that such By-Laws are adopted, within

that, it is not necessary in the credit union to be a Credit Union, it is not necessary in the credit union to be a Credit Union.

the credit union's activities shall be as follows:

1. Organization of the credit union (Section 31)
2. Department of the credit union (Section 32 (1))
3. Credit union's future expansion (Section 33 (1))
4. External relations of the credit union (Section 34 (1))

The Act does not insist on external relations for credit unions; instead it requires a credit union to be able to do so by a credit union's

(Credit Union) which provides a regular audit of the credit union's

status of other employees, and financial participation in its general

provides for its representation by public accountants. The general

committee's work is supplemented by both the Department of Internal

Reporters and Officers of the Union League, and the Department of

make regular reviews of the credit union's operations. The Department

the Department, unless replaced by external auditors, and the Department

the Department is required to report on its activities to the credit



II LEGISLATION AND SUPERVISION

union, or give an unqualified report covering the operations. The Supervisory Committee is also given authority to suspend any officer of the Credit Union, subject to the calling of a general meeting and approval of their action, for misappropriation of funds, fraudulent activity or contravention of the Act and By-Laws (Section 32 (8) of the Act). In the event that the Supervisory Committee is replaced by external auditors, this becomes the duty of the Board of Directors, along with certain other duties as set out in the Act.

P. 54 The Credit Unions Act provides for the naming of beneficiaries by the members, disposition of monies to intestate members, and payment to the named beneficiaries. (Sections 40 & 41)

P. 55 In the event that the credit union is unable to locate certain members, who have shares and/or deposits in the credit union, the Act provides such monies may be paid to the Treasurer of Ontario, who will then assume the responsibility for their disposition. (Section 42)

P. 56 The Credit Unions Act (Section 43) together with the By-Laws (Article VI) sets forth the requirements for holding Annual Meetings, the business to be dealt with, and what the Financial Statements are required to show.

P. 57 The Credit Unions Act also provides for

1. Amalgamation of credit unions (Section 56).
2. Dissolution of credit unions (Section 54 & 55),
3. Provisions requiring Annual Returns to the Ontario Department of Insurance (Section 49).
4. Authority for the Department of Insurance, Superintendent of Credit Unions, to appoint auditors. (Section 51 (1)).
5. The Incorporation of Leagues (Section 53).
6. The Suspension of a credit union's operation by the Superintendent (Section 51 (3)).

II. FUNDING AND SUPERVISION

union, or give an unduly large share, covering the operations. The Supervisory Committee is also given authority to suspend any officer of the Credit Union, subject to the filing of a proper motion and approval of their action, for cause, protection of funds, from their activity or a violation of the Act and By-Laws (Section 2 (x) of the Act). In the event that the Supervisory Committee is required to external matters, this becomes the duty of the Board of Directors, along with certain other duties as set out in the Act.

The Credit Union Act provides for the manner of appointing officers by the members, disqualification of members to hold office, and the manner of the removal of officers. (Section 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.

In the event that the Credit Union is unable to locate its members, who have shares and/or deposits in the credit union, the Act provides for such monies may be paid to the Treasurer of Ontario, who will then assume the responsibility for the disbursement. (Section 43)

The Credit Union Act (Section 44) together with the Credit Union Act (Section 45) set forth the requirements for the Credit Union Act (Section 46) and the Credit Union Act (Section 47) and the Credit Union Act (Section 48) and the Credit Union Act (Section 49) and the Credit Union Act (Section 50) and the Credit Union Act (Section 51) and the Credit Union Act (Section 52) and the Credit Union Act (Section 53) and the Credit Union Act (Section 54) and the Credit Union Act (Section 55) and the Credit Union Act (Section 56) and the Credit Union Act (Section 57) and the Credit Union Act (Section 58) and the Credit Union Act (Section 59) and the Credit Union Act (Section 60) and the Credit Union Act (Section 61) and the Credit Union Act (Section 62) and the Credit Union Act (Section 63) and the Credit Union Act (Section 64) and the Credit Union Act (Section 65) and the Credit Union Act (Section 66) and the Credit Union Act (Section 67) and the Credit Union Act (Section 68) and the Credit Union Act (Section 69) and the Credit Union Act (Section 70) and the Credit Union Act (Section 71) and the Credit Union Act (Section 72) and the Credit Union Act (Section 73) and the Credit Union Act (Section 74) and the Credit Union Act (Section 75) and the Credit Union Act (Section 76) and the Credit Union Act (Section 77) and the Credit Union Act (Section 78) and the Credit Union Act (Section 79) and the Credit Union Act (Section 80) and the Credit Union Act (Section 81) and the Credit Union Act (Section 82) and the Credit Union Act (Section 83) and the Credit Union Act (Section 84) and the Credit Union Act (Section 85) and the Credit Union Act (Section 86) and the Credit Union Act (Section 87) and the Credit Union Act (Section 88) and the Credit Union Act (Section 89) and the Credit Union Act (Section 90) and the Credit Union Act (Section 91) and the Credit Union Act (Section 92) and the Credit Union Act (Section 93) and the Credit Union Act (Section 94) and the Credit Union Act (Section 95) and the Credit Union Act (Section 96) and the Credit Union Act (Section 97) and the Credit Union Act (Section 98) and the Credit Union Act (Section 99) and the Credit Union Act (Section 100).

1. Amendment to the Credit Union Act (Section 101)
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100. Amendment to the Credit Union Act (Section 200)



II LEGISLATION AND SUPERVISION

7. The requirement of adequate bonding including faithful performance of duties. (Section 34).

SUPERVISION

P. 58 With the transfer of Administration from the Department of Agriculture to the Department of Insurance in 1953, a program of inspections was instituted. This inspection program was carried out faithfully by the Credit Unions Branch of the Department of Insurance, but in 1955 the number of credit unions chartered in Ontario became too numerous for the Administrative body to handle and control effectively with existing staff.

P. 59 On January 21, 1956 the Attorney General for the Province of Ontario, the Hon. A. Kelso Roberts, QC. met with the Board of the Ontario Credit Union League to explore the question of audits for credit unions. As a result, the Board set up a special committee on Credit Union Audits under the Vice-President, John M. Homer, now Director of the League's Education and Organization Department, as Chairman, to investigate thoroughly the whole subject, and to confer with the government officials concerned. This Committee's duties were enlarged to investigate and study any other matters directly or indirectly pertaining to the protection and safeguarding of the funds of credit union members in Ontario. After careful study, this Committee concluded that if a brief were prepared for presentation to the Attorney General outlining the various methods that the League was then using to assist credit unions in safeguarding the funds of their members, together with the future plans of the League on these matters, it would have considerable effect on the final decision regarding compulsory audits.

P. 60 The brief to the Attorney General was presented by the then League President, A. S. Dalgleish, Comptroller the late R. A. MacDonald, and General Manager John M. Hallinan, on October 25, 1956. The highlights were as follows:

7. The requirement of adequate bonding including satisfactory performance of duties. (Section 34).

SUPERVISION

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II LEGISLATION AND SUPERVISION

1. The objects and purposes of the League as set forth in the League's own By-Laws are as follows:

- a) Protecting and advancing the credit unions which are members thereof.
- b) Encouraging and assisting in educational work relating to credit unions.
- c) Arranging for group bonding of credit union employees, and ensuring repayment of loans made by credit unions to their members.

2. A study of the main causes or possible sources of loss which may confront a credit union was made, and it was conceded that a credit union might find itself in grave difficulty for one of the following reasons:

- a) Defalcation on the part of those handling the funds of the credit union.
- b) Inadequate bonding of those persons handling credit union funds.
- c) Inability of the credit union to collect the major portion of its outstanding loans.

The League then stated that in view of ways and means that have been adopted as outlined below, the government might deem it unnecessary to insist on compulsory external audits of credit unions in Ontario:

1. That the League Field Staff be expanded to the point where there would be at least one fieldman for each 100 Credit Unions.
2. Each Credit Union would eventually be visited annually by a fieldman, who will examine its affairs.
3. Chapters by conducting schools would assist in educating all the officers in the proper manner in which to carry out their responsibilities.
4. Collaboration between League Directors and Chapter Personnel working together to assist in providing members with protection.

1. The objects and purposes of the League are set forth in the

League's own By-Laws and are as follows:

a) Promoting and securing the credit union which are

members of the League.

b) Encouraging and assisting in educational work relating to

the credit union.

c) Arranging for group training of credit union employees,

and ensuring the payment of loans made by credit unions

to their members.

A study of the main aims of possible action of the League

may be obtained from the League's own literature, and it was concluded

that a credit union might find itself in a very different position

from the following reasons:

a) It may be one of those handling the funds of

the community.

b) It may be one of those handling the funds of

c) It may be one of those handling the funds of the major portion

of the outstanding loans.

The League itself stated that it was a voluntary and non-profit organization

and that its objects and purposes are as follows: to assist in the

to assist in the development of credit unions and to assist

1. That the League should be organized in the best manner

that would be most beneficial to the credit union movement.

That credit union work should be carried out primarily by a

committee, who will examine its activities.

Cooperation by credit union workers in the field is being all the

efforts in the proper manner in order to carry out the

Cooperation between League Districts and Chapter Branches

will be maintained to assist in providing members with prompt



II. LEGISLATION AND SUPERVISION

5. Recommendation of the minimum bond to be carried by credit unions.
6. The League entering into an agreement with a reputable collection service for collection of accounts.
7. A credit union being carefully guided for the first six months of its operations.

In conclusion the Brief read as follows:

"In view of the foregoing, we respectfully suggest that at this time it is inadvisable to enact legislation compelling any or all credit unions to have an external audit conducted of their affairs and books. May we corroborate this suggestion with the following observations:

1. There is no guarantee that a compulsory audit would appreciably decrease defalcations.
2. The League presently is urging its members to take advantage of existing legislation permitting the appointment of external auditors, particularly where present Supervisory Committees are incapable of properly performing their duties, or where the size of the credit union, either in respect to membership or assets, makes the functions of the Supervisory Committee impracticable.
3. It is the opinion of the Board of Directors of the Ontario Credit Union League that the Government of the Province of Ontario is loathe to suggest compulsion where not necessary, and whereas those credit unions that reach a certain size either in respect to assets or members for the most part voluntarily appoint auditors under appropriate sections of the Act, it would appear unnecessary to enforce external audits by law.
4. The Board of Directors of the Ontario Credit Union League believe that all credit unions may best protect the funds of their individual members by adopting the League's policy respecting minimum bonding requirements, using the educational facilities of the League and its Chapters, availing

1. LIAISON WITH THE UNION

2. The organization of the union should be carried by credit

unions.

The League entered into an agreement with a reputable

collection service for collection of accounts.

A credit union being normally guided for the first six months

of its operation.

In conclusion the Board read as follows:

"In view of the foregoing, we respectfully suggest that as far as possible it is

inadvisable to send legislation compelling any or all credit unions to

have an external audit conducted of their affairs and books. May we

contribute this suggestion with the following observations:

1. There is no question that a considerable audit will

appreciably help the situation.

The League presently is urging its members to take advantage

of existing legislation providing for the appointment of external

auditors, particularly where private and voluntary organizations

are the subject of public or private legislation. In the case of credit

unions, the credit union, either in respect to membership

or assets, under the provisions of the Supervisory Committee

It is the opinion of the Board of Directors of the Ontario Credit

Union League that a resolution of the League of Credit

is urged to suggest a resolution where not necessary, and

that the League should urge a resolution where not necessary, and

in respect to assets or members for the most part voluntarily

appoint auditors under appropriate sections of the Act, it

would appear unnecessary to enforce external audits by law.

The Board of Directors of the Ontario Credit Union League

believes that all credit unions may best protect the funds of

their individual members by adopting the League's policy

respecting minimums on their investments, using the

educational facilities of the League and its branches, training



II LEGISLATION AND SUPERVISION

itself of the League's professional personnel. Where necessary the collection services of the League are freely offered."

P. 61 Realizing the need for more funds to implement a program to carry out the objects of the League, the League Board unanimously recommended \$1.00 annual dues (see Section 53 (6) of Credit Unions Act) to the League's 17th Annual Convention held February 28th, and March 1st and 2nd 1957. This increase from 50¢ dues was necessary, as the proposed programme required a considerably larger staff. Mr. A. S. Dalgleish, then League President in January 1957 said:

"The purpose of your League is to protect and foster the Credit Union movement in the Province of Ontario and to make its operation simple and effective. Despite our marked success over the many years in the past, this task is no longer possible with a staff of five fieldmen, even without regard to the establishment of examination services that would be acceptable to the government."

P. 62 In March 1957, Credit Unions across the Province were informed through the League publication, the "Ontario Credit Union News", that an amendment to the Credit Unions Act giving the League authority to examine the books of member credit unions had been given the first of three required readings by the Ontario Legislature at the end of January 1957, predicated upon the League's ability to supervise its members to the satisfaction of the Government.

This bill was eventually passed and became law reading as follows:

"Any competent person authorized by a league incorporated under this section may examine into the affairs of any credit union that is a member of the league, and for such purpose he shall be given access to all books, records and other documents of the credit union and he may make whatever inquiries are necessary to ascertain its true condition and its ability to provide for the payment of its liabilities as they become due, and the officers and employees of the credit union shall facilitate him in his examination and inquiry." (Section 53 (7) of Credit Unions Act).

This programme of Supervision actually went into effect April 1958 when the League increased its staff by twelve, setting up areas across

the following are fairly typical:

Resolving the need for more funds to implement a program to carry out the objects of the League, the League Board unanimously recommended \$1,000,000 (see Section 73 (b) of the Finance Act) to the League's 1971 Annual Convention held in March and April 1971. This amount is considered as necessary as the proposed programme required a considerably larger staff.

Mr. A. E. Marshall, then League President in May 1971 said:

"The purpose of your League is to protect and better the Canadian Union movement in the Province of Ontario, and to make the operation simple and effective. If, despite our many and varied efforts, in many ways in the past, this task is no longer possible with a staff of five, then we will have to consider a staff of ten or more. An examination has been made and it is acceptable to the Government."

In March 1971, the Ontario Government's Provincial Council, through the League's submission, the Ontario Government, that an amendment to the Ontario Finance Act giving the League a staff of ten or more to examine the books of members of all unions had been given the go-ahead of three readings by the Ontario Legislature in the end of January 1971, indicated upon the members' wish to supervise its operation, the establishment of the Government.

The bill was eventually passed and became law, reading as follows:

"Any competent person authorized by a League or incorporated under this Act may examine the books of any union of workers, whether that is a member of the League, and for the purpose of establishing a record of all books, records and other documents in the possession and control of any such union, and its ability to provide for the payment of its liabilities as they come due, and the rights and employees of the union shall be established in the examination and inquiry." (Section 73 (b) of the Finance Act)

This programme of supervision actually went into effect April 1, 1971 when the League commenced its activities, and it has since then



1
2 II LEGISLATION AND SUPERVISION

3 the Province to organize, educate and train personnel and examine
4 credit unions. At the end of 1961 the League had increased its Field
5 Staff to twenty-two, situated in 10 areas, covering the Province.
6 These twenty-two League employees under the supervision of a
7 Public Accountant, along with ten Inspectors from the Department of
8 Insurance of Ontario are attempting to reach the objective of examining
9 credit unions in Ontario annually. In 1961 the League itself examined
10 693 League member credit unions.

11 P. 63 Public Accountants are employed as external auditors by a considerable
12 number of the larger credit unions, and the League continues to
13 recommend their appointment wherever considered necessary.

14 P. 64 The responsibilities of the League in its examination program are to
15 examine the books and records of credit unions, establishing at the
16 same time the adequacy of reserves to protect the members equity,
17 and to see that credit unions are abiding by the Act and By-Laws, and
18 to check, on a return visit, that the deficiencies (if any) have been
19 corrected. A complete report of the League's findings are submitted
20 to the credit union examined, and to the Credit Unions Branch of the
21 Department of Insurance of Ontario, so that both may be fully aware
22 of conditions which may exist. In order that this programme may be
23 carried out satisfactorily to its completion, the League has prepared
24 complete sets of examination working papers, to be completed at
25 each examination. Copies of these forms are attached under
26 appendices 017 and 018.

27 CONTROL

28 P. 65 Credit Unions, from the date of incorporation, are under constant
29 surveillance by one controlling factor or another. The accounting
30 procedures in credit unions have been designed to provide for adequate
controls over the flow of cash, in and out of the credit union.
Numbered cheques and receipts are only two items recommended for



the Province to organize, educate and train personnel and examine credit unions. At the end of 1961 the League had increased its field staff to twenty-two, situated in 10 areas, covering the Province. These twenty-two League employees under the supervision of a Public Accountant, along with ten inspectors from the Department of Insurance of Ontario are authorized to conduct the objective of examining credit unions in Ontario annually. In 1961 the League itself examined 693 League member credit unions.

Public Accountants are employed as external auditors by a considerable number of the larger credit unions, and the League continues to recommend their appointment wherever it is advisable.

The responsibilities of the League in its examination program are to examine the books and records of credit unions, calculate and at the same time the adequacy of reserves to protect the members' deposits, and to see that credit unions are abiding by the Act and By-Laws, and to check, on a regular basis, that the defunct unions (if any) have been incorporated. A complete report of the League's findings is submitted to the credit union examiners, and to the Ontario Branch of the Department of Insurance of Ontario, so that no union may be licensed on conditions which may exist. In order that this program may be carried out satisfactorily to its complete end, the League has prepared complete sets of examination working papers, to be furnished at each examination. (Copies of these forms are attached and numbered 017 and 018.)

Credit Unions, from the date of incorporation, are under constant surveillance by one controlling financial institution. This continuous procedure in credit unions is carried out to ensure that the controls over the flow of cash, in and out of the credit unions, and the number of changes and returns are only two items which are included.



II LEGISLATION AND SUPERVISION

the control of cash transactions. Various other control factors are detailed below.

P. 66

Bonding

Credit union bonding in Ontario is obtained from one main source, Employers Mutual of Wausau, Wisconsin, through Cuna Insurance Services. Maximum coverage bonds are recommended in all cases, giving broad form coverage, theft, burglary, robbery, holdup, forgery and faithful performance (See Appendix 019). Position bonds naming the position held and amount of coverage, or name bonds, naming an individual and amount of coverage on these individuals are not recommended since it is a well known fact that any number of people could be involved in fraudulent activity. The Ontario Credit Union League Limited, working with Loss Prevention Specialists of the Credit Union National Association, provides safety checks for credit unions who are concerned with maintaining, to a high degree, the safeguards it places on its operations, to prevent the possibility of losses to its membership. (See Appendix 020)

P. 67

Supervisory Committee

The Supervisory Committee, the members of which are elected by the members at Annual Meetings, is required to make regular audits of the credit union records. Its work each month would include the following:

1. Trial Balance of members' share, loan and deposit accounts.
2. Cash count and reconciliation
3. Bank reconciliation
4. Perusal of Loan applications and Promissory Notes for proper completion, approval and security.
5. Check of loan documents against entries in the Journal, to ascertain that proper documents are available for all loans.
6. Check Treasurer's Financial Statements against general ledger.
7. Spot check receipts (deposit slips) against Journal and

the control of cash transactions. Various other controls in force are

Credit union bonded in Ontario is obtained from one major source,

Employers Mutual of Western, Windsor, through CIMA Insurance

services. Minimum coverage bonds are recommended in all cases,

giving broad form coverage, theft, burglary, robbery, kidnapping,

forgery and faithful performance (See Appendix D12). Position bonds

name the position held and amount of coverage, or assure bonds,

name an individual and amount of coverage on those individuals and

not recommended since it is a well known fact that any number of

people could be involved in fraudulent activity. The Ontario Credit

of the Credit Union National Association, provides safety checks for

credit unions who are concerned with maintaining, to a high degree,

the same standards of persons on its operations, to prevent the possibility

of losses to its membership. (See Appendix D13)

2. Inventory Control

The Inventory Committee, the members of which are elected by the

members at Annual Meetings, is required to make a list and a list of

the credit union records. Its work should include the following:

1. Trial Balance of members' share, loan and deposit accounts.
2. Cash count and reconciliation.
3. Bank reconciliation.
4. Journal of loan applications and Promissory Notes for proper completion, approval and security.
5. Check of loan documents against entries in the Journal, to ascertain that proper documents are available for all loans.
6. Check Treasurer's financial statements against general ledger.
7. Spot check receipts (deposits) against Journal and



II LEGISLATION AND SUPERVISION

members' accounts.

8. Check delinquency and prepare list.
9. Check dates shown on collection sheets, ascertaining that all collections received are deposited promptly.
10. Read directors' minutes to see that policy made has been carried out, and that minutes are properly signed, etc.
11. Spot check withdrawals against members' accounts.
12. Check investments for additions or disposals.
13. Review executive loans for proper approval.
14. Check postings to general ledger.
15. Prepare a Trial Balance.
16. Approve loans to officers.

A handbook for Supervisory Committee personnel has been produced by the Ontario Credit Union League Limited. (Appendix 04)

P. 68 Credit Committee

It is the responsibility of the Credit Committee to consider and approve all loans. In performing these duties, they take may matters under consideration such as:

1. The borrower's character.
2. Previous credit record.
3. Length and permanence of employment.

Credit union loans are carefully considered in each case, to provide for a minimum loss risk.

P. 69 External Audits

The appointment of external auditors is recommended by the Ontario Credit Union League Limited and the Credit Union Branch of the Department of Insurance under various circumstances, such as:

1. Lack of qualified personnel within the bond of association to act on a Supervisory Committee.
2. Credit Unions with larger assets
3. Large membership credit unions

II. DISPOSITION AND REVISION

8. Check delinquency and provision made.
9. Check dates shown on collection sheets, ascertaining if all collections received are deposited promptly.
10. Read directors' minutes to ascertain that policy made has been carried out, and that minutes are properly signed, etc.
11. Spot check with sales against members' accounts.
12. Check investments for condition of deposits.
13. Review executive loans for proper approval.
14. Check postings to General Ledger.
15. Prepare Trial Balance.
16. Approve loans to officers.

A handbook for supervisors, Committee, prepared by the Ontario Credit Union League Limited (Appendix G).

It is the responsibility of the Credit Committee to consider and approve all loans. In performing these duties, they take many factors into consideration and:

1. The loan credit record.
2. Length and character of employment.
3. Credit union loans are carefully considered in order to avoid loss for a minimum loss rate.

For Final Audits

The appointment of external auditors is recommended by the Ontario Credit Union League Limited and the Credit Union League of the Department of Insurance and various credit unions, each year.

1. Lack of qualified personnel within the bank of association to act on a Supervisory Committee.
2. Credit Union's assets.
3. Large membership credit unions.



II. LEGISLATION AND SUPERVISION

4. Poor overall administration

5. Suspected fraud or poor records as a result of incompetent bookkeeping.

External auditors may be appointed, by By-Law, in addition to, or in lieu of, a Supervisory Committee (Credit Unions Act, Section 32 (11)). A sample audit programme covering the work done by external auditors is shown in Appendix 021.

P. 70

Government and League Examination

Inspections and Examinations performed by the Department of Insurance and the Ontario Credit Union League Limited, while not meant to replace Supervisory Committees or external auditors, are efficient, and primarily made to ascertain if credit unions are abiding by the rules and regulations set forth by the various Acts and By-Laws governing credit unions' operations. Such inspections or examinations, however, often result in the recommendation of more rigid controls or the appointment of external auditors. On occasion, in order to protect the interests of the members, these inspections and examinations have resulted in the suspension of operations of a credit union by the Department of Insurance until such time as sufficient improvement is made to warrant the lifting of suspension, and resumption of operations.

P. 71

Board of Directors

The Board of Directors, which is given the responsibility of the overall administration under the Act and By-Laws, receives monthly reports from all committees, and with the information obtained, appraises conditions that exist, and makes decisions to protect the members' interests. These decisions may be to increase bond coverage, arrange for the appointment of external auditors through By-Law changes, set the maximum loan which may be loaned to the members, or make any other decision which may be necessary to operate the credit union satisfactorily.



II LEGISLATION AND SUPERVISION

P. 72

Annual Meeting

The credit union members at their annual meeting have the opportunity to express their opinion and to make resolutions which will guide the Board of Directors in its general administration. The Board is not only guided by the annual meeting, but must also see that the wishes of the members are carried out.

P. 73

League Field Staff

The Ontario Credit Union League field staff are given special training to guide the Board of Directors and other committees in their work; to provide proper accounting systems and controls; to train the Board and Committees; and to assist or train Treasurers in their work. Incompetent Treasurers are occasionally removed from office by a credit union's Board of Directors upon recommendation of the field personnel, and replaced by someone more proficient to provide adequate and well controlled accounting procedures. A Treasurer's handbook, setting forth proper accounting procedures to be used by credit unions, has been produced by the League. (Appendix 03) The Field Services Department provides an "Office Procedure and Systems Analysis" service without cost, for credit unions with full-time employees. The Field Services Department maintains a close liaison with the major machine accounting firms, thus ensuring adequate and efficient mechanical systems for credit unions.

P. 74

Stabilization Fund

The Stabilization fund recently brought into existence by the Ontario Credit Union League is primarily for the purpose of assisting credit unions to dissolve without loss to its membership. Such dissolutions may result from plant shutdowns, or from some other factor that leads to the point where dissolution is deemed to be the best action to take. This fund is directly under the control of the League Board of Directors and therefore part of the operations of the League, and subject to regular audits by the League Auditors. (see paragraphs 143 to 148)



III ASSETS

INTRODUCTION

P 75 The basic policy of credit unions regarding investment of funds received is to loan out the bulk of such funds to members. Section 4 (1) of the Credit Unions Act indicates that the main objects of a credit union are:

- (1) the receiving of moneys.....from members.....
- (2) the making of loans to members

Our 1960 statistics of 1027 credit unions (see Appendix 022) indicate that an overall average of 86.6% of credit union Assets are represented by loans to members.

The same statistics indicate the breakdown of other credit union Assets as follows:

a)	Cash and Liquid Reserves	Average 9.3%
b)	Longer Term Investments	Average 2.9%
c)	Furniture and Equipment	Average 0.5%
d)	Land and Buildings	Average 0.5%
e)	Other Assets	Average 0.2%

P 76 The main factors influencing the structure and size of credit union assets are as follows:

- (1) Investment of funds by members in the credit union
either by way of shares or deposits. This is the
main factor determining the size of assets.
- (2) Loan demand by the members:
 - a) If this is consistently well below the members' investment in the credit union, then long-term investments are often sought for surplus funds.
 - b) If the loan demand fluctuates considerably, then short-term investments are sought for surplus funds during seasonal "low-demand" loan periods, with the investments being readily converted into cash during "high-demand" loan periods.

INTRODUCTION

The basic policy of the Government regarding the treatment of funds received is to loan out the bulk of such funds to a borrower. Section 1 of the Credit Union Act is intended to make the main object of a credit union to

(1) the receiving of a deposit from members, and
(2) the making of loans to members.
Our 1960 statistics of 1637 credit unions (see appendix 32) indicate that an average of 95% of a credit union's funds are loaned out by loans to members.

The same statistics indicate the breakdown of other credit union assets as follows:

a)	Cash and liquid investments	Average 17.1%
b)	Long-term investments	Average 2.9%
c)	Furniture and equipment	Average 0.8%
d)	Land and buildings	Average 1.8%
e)	Other assets	Average 11.4%

The main reason for the above breakdown of assets is that the credit union is a financial institution and its main function is to provide loans to its members.

- (1) The main reason for the above breakdown of assets is that the credit union is a financial institution and its main function is to provide loans to its members.
- (2) The main reason for the above breakdown of assets is that the credit union is a financial institution and its main function is to provide loans to its members.
- a) If the loan is a secured loan, the interest rate should be higher than the rate for an unsecured loan.

Some of the main reasons for the above breakdown of assets are:
1. The credit union is a financial institution and its main function is to provide loans to its members.
2. The credit union is a financial institution and its main function is to provide loans to its members.



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- c) If the loan demand is consistently higher than the members' investment in the credit union, then borrowing is resorted to, generally from the Ontario Credit Union League, the Ontario Co-operative Credit Society, or from one of the chartered banks. Such borrowing has, of course, the effect of increasing the size of the assets, as the borrowed money is loaned to members.
- (3) Availability of borrowing: A credit union is limited in its borrowing to 50% of its capital deposits and surplus (Credit Unions Act, Section 36). This limitation can influence the size and growth of a Credit Union in that unlimited money may not be borrowed for loaning to members.
- (4) Availability of Payroll Deductions: Many industrial credit unions in particular benefit considerably from the granting of payroll deduction privileges by the associated Corporations. Regular deductions from the pay of credit union members are applied against outstanding loans and to share savings. Payroll deductions tend to increase members' share savings, in that they are a convenient and "painless" way for members to save; and such deductions tend to increase loans made to members, because the borrowers are committed to regular repayments without having to call at the credit union office, pay a collector, or mail their repayments.
- (5) Availability of Funds for Mortgage Loans: Larger credit unions may find that they consistently have considerable surplus funds.



c) If the amount is consistently higher than the member's investment in the credit union, then borrowing is resorted to, generally from the Ontario Credit Union Bureau, the Ontario Co-operative Credit Society, or from one of the other credit unions. Such borrowing may be for a short period or for a longer period, but the interest on the loan is paid by the member.

provisions.

(2) Availability of borrowing: A credit union is limited in its borrowing to 25% of its capital and surplus. This limit can be increased by the union's board of directors. Union members may not be allowed to borrow for personal use. Availability of funds: Many credit unions have a limit on the amount of funds they can lend to their members. The limit is usually based on the member's income and the amount of funds they have deposited with the union. The limit may be increased by the union's board of directors. Availability of funds for members: Many credit unions have a limit on the amount of funds they can lend to their members. The limit is usually based on the member's income and the amount of funds they have deposited with the union. The limit may be increased by the union's board of directors. Availability of funds for members: Many credit unions have a limit on the amount of funds they can lend to their members. The limit is usually based on the member's income and the amount of funds they have deposited with the union. The limit may be increased by the union's board of directors.

Availability of Funds for Members

credit unions may find that they consistently are



III ASSETS

Instead of investing in long-term securities, the Board of Directors of such a credit union may decide to grant Mortgage Loans to those members requiring them, as permitted under the Standard By-laws (Article V, 3c).

CASH AND LIQUID RESERVES

P 77 There are no legal reserve ratios required for Ontario credit unions.

P 78 Conventional reserve ratios vary, and are adjusted by the experience of individual credit unions. Our 1960 statistics indicate an overall average (1027 credit unions) of:

4.6% of total assets as cash on hand and in the bank and

4.7% of total assets as deposits and shares in the Ontario

Credit Union League and Ontario Co-Operative Credit Society.

P 79 Our 1960 statistics indicate that an overall average of 4.4% of total liabilities represents loans payable by the credit unions, that is, loans to the credit unions from sources outside the Credit Unions, (mainly the Ontario Credit Union League, the Ontario Co-operative Credit Society and the Chartered Banks).

P 80 The law as far as borrowing is concerned is contained in the Credit Unions Act, Sections 36 and 38. A credit union may borrow up to 50% of its capital, deposits and surplus (section 36), but membership approval is required for borrowing exceeding 25% of capital, deposits and surplus.

P 81 Generally, sufficient funds are available for credit union borrowing from either the League Central or from the Co-operative Credit Society. The League Central encourages member credit unions to deposit surplus funds with the Central, either in the form of "shares" on which an annual dividend is declared, or as "deposits" on which



I stand on the ground in front of the building, the
 front of the building of such a credit institution
 decide to grant Mortgage Loans to those members
 regarding them, as permitted under the Standard

CASH AND RESERVE STATEMENTS

There are no legal reserve ratios required for Ontario credit unions.
 Conventional reserve ratios vary, and are adjusted for the expansion
 of individual credit unions. Our 1990 statistics indicate an overall
 average (1997) of 10.2% of total assets.

4.6% of total assets is cash on hand and in the bank, and
 4.7% of total assets are deposits and advances to the Ontario
 Credit Union Development and Ontario Cooperative (1997)

Our 1990 statistics indicate that an overall average of 4.7% of total
 liabilities represent loans, as opposed to the credit union, that is
 loans to the credit union from sources other than the credit union and
 (mainly) the Ontario Credit Union Development, the Ontario Cooperative
 Credit Society and the Ontario Development.

The law as far as borrowing is concerned is contained in the Credit
 Unions Act, Section 26 and 28. A credit union may borrow up to 7
 of its capital deposits and surplus (100% of the 7%), but must have
 approval as required for borrowing exceeding 45% of capital, and
 assets and surplus.

Generally, sufficient funds are available for credit union borrowing
 from either the Ontario Credit Union Development or the Ontario Cooperative
 Society. The Ontario Credit Union Development is a credit union, and
 deposit supplies funds to the credit union, either in the form of
 on which an annual dividend is paid, or as a loan, or as a

P 77

P 78

P 79

P 80

P 81

III ASSETS

a pre-determined interest rate is payable. These funds are, of course withdrawable, although in many cases a credit union will borrow temporarily rather than withdraw its funds from Central. Thus the League Central acts as a credit union for credit unions, the latter being "members" of the former. The Credit Unions Act, under Section 4(2a) permits a credit union to make loans to other credit unions. This loaning and borrowing between credit unions is practised to a small extent, but participation in League Central is encouraged as preferable.

P 82 There is some direct borrowing from chartered banks by credit unions, particularly during high-demand loan periods, with book debts or long-term securities being offered as collateral. This may be either a regular practice of the credit union, or it may be a temporary expedient when loan demands are so heavy on Central as to delay the granting of loans to credit unions. As our 1960 statistics indicate, borrowing from banks is considerably less than from the Central:

<u>Loans from</u>	<u>% of Total Liabilities</u>
League Central	3.0%
Co-op Credit Society	0.9%
Other sources (mainly banks and credit unions)	0.5%

P 83 The availability of funds for borrowing by credit unions is vividly illustrated by the following examples:

- (1) A credit union in Hamilton borrowed \$200,000.00 from League Central in July 1958 when the credit union was expanding rapidly. This loan had been completely repaid by April 1959.
- (2) Another credit union in Hamilton borrowed \$446,000.00 from League Central in November 1958 at the time of the Company strike. This loan was repaid by October 1959.



III. ANALYSIS

a pre-determined interest rate is payable. These loans are, of course, without which, although many cases of default will be inevitable. The loans are partially rather than withdrawn for funds to be loaned. Thus the loans are Central acts as a credit union for credit unions, the latter being "banks" of the former. The Credit Union Act, under Section 44(a), permits a credit union to make loans to other credit unions. This permits and borrowing between credit unions is practised to a small extent, and participation in League Central is encouraged as a practical matter.

There is some direct borrowing from charitable bodies by credit unions, particularly during times of demand for loans, with such bodies, on long term securities being offered as collateral. This may be either a loan or a guarantee of the credit union, or it may be a temporary expenditure when loan demand is so heavy on Central as to defer the granting of loans to credit unions. As our 1950 statistics indicate, borrowing from banks is considerably less than from the Central.

TABLE 1
Loans from

Central to

0.9%

Co-op Credit Society

Other sources (mainly banks and credit unions)

2.5%

The availability of funds for borrowing by credit unions is relatively illustrated in the following examples:

(1) A credit union in the South borrowed \$25,000.00

from League Central in July, 1950, and repaid it in

January, 1951, at a rate of 2.5%.

completely repaid by April, 1951.

(2) Another credit union in Hamilton borrowed

\$245,000.00 from League Central in November

1950 at the rate of 2.5% (on the basis of 1950).

was repaid by October, 1951.



III ASSETS

(3) A credit union in the Toronto area borrowed \$291,000.00 from League Central between April and August 1959 after a mass lay-off in February 1959. This loan had been repaid by October 1960.

(4) A credit union in the Oshawa area borrowed \$430,000.00 from League Central in October 1960 at a time of rapid expansion in the credit union. By February 1962 this loan had been reduced to a sum of \$160,000.00.

P 84 The accompanying statistics of League Central (Appendix 023) its Annual Reports (Appendices 024 and 025) and the detailed monthly statements (Appendix 026) indicate the growth and effectiveness of the organization. Generally the League Central has been able to provide funds for credit unions requesting them, although seasonal demand has at times been so heavy as to cause temporary delay in the granting of loans by the Central. For a brief period in the summer of 1957 there was some delay in granting loans, although in 1958 all loan applications were promptly serviced. In 1959 and 1960 there was again some delay in the summer months, whereas throughout 1961 the Central has had surplus funds.

P 85 The Central itself borrows funds from outside sources, when required, from such sources as a chartered bank, the United Co-operators of Ontario and Co-operators Insurance Association. A high point of borrowing was reached at May 31st, 1960, when out of total liabilities of \$6,320,261, Loans Payable totalling \$858,000 were outstanding as follows:

Co-operators Insurance Association	\$130,000.
Chartered Bank	503,000.
Administrative Department of League	185,000.
Cuna Retirement Fund	40,000.
	<u>\$858,000.</u>



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P 86 Relationships between credit unions and League Central have been generally very good. Relationships between credit unions and the chartered banks have also been very good, as have those between League Central and the chartered bank with which it deals.

P 87 As stated above (Paragraph 77) there is no legislation governing cash and liquid reserves of credit unions in Ontario. There has been no serious liquidity problem, credit unions having found ample sources of funds in the League Central and other organizations. We therefore feel that there is no need of legislation in this field. To quote from the Report of the Policy Committee of the League, dated September 9, 1961, "having regard to the fact that credit unions are autonomous bodies, and that each credit union may make provision for its own liquidity position, and that access to ample funds is available to credit unions through the League's Central and other services, it is the opinion of the Committee that, under the present circumstances, legislation to require all credit unions to maintain a certain proportion of their funds in liquid form is not necessary".

INVESTMENTS

P 88 The chief factor in determining investment in securities would appear to be the availability of surplus funds which are considered by the Board of Directors to be permanently surplus. A secondary factor would be the desire by some credit unions to have a modest investment in longer-term investments.

P 89 Our 1960 statistics indicated that 2.1% of the credit unions' total assets consisted of Government or Government guaranteed Bonds. The more popular investments appear to be in Government of Canada Bonds, Province of Ontario Bonds and Hydro Electric Commission Bonds. Generally these securities tend to be long-term investments. The same statistics indicated that 0.8% of the credit unions'

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total assets consisted of "other investments" which appear to consist principally of municipal bonds and debentures, industrial securities, and private placements. To our knowledge there is little trading of securities before maturity by credit unions in Ontario.

Legal Limitations

P 90 The investments in which credit unions in Ontario are authorized to invest their funds, are set forth in Section 4(2) and Section 35 of the Credit Unions Act. The latter section, by referring to the Corporations Act, 1961, makes applicable the provisions dealing with investments authorized for joint stock insurance companies contained in Section 208, subsections 2 to 15 of that Act, except for clauses "m" and "o" of subsection 2. The effect of these provisions is that a credit union may invest funds in the following investments, subject to the limitations indicated in each case:

- (1) Loans to other credit unions; (Section 4(2) (a))
- (2) Deposits and loans to any league incorporated under Section 53 provided that the amount so deposited or loaned does not exceed 25% of the credit union's share capital and deposits; (Section 4(2) (b)).
- (3) In the paid up shares of other credit unions or of any league incorporated under Section 53 provided the amount so invested does not exceed 25% of the credit union's share capital; (Section 35, (1) (c)).
- (4) In any investment that is authorized by the Corporations Act, 1961, for the investment of the funds of a joint stock insurance company other than the investments authorized by clauses "m" and "o" of subsection 2 of Section 208 of that Act. (Section 35(1) (a) - see infra for a summary of the



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investments authorized by this Act and the restrictions applicable thereto); and

- (5) In any investment other than those set out above where such investment is approved by a resolution passed by a two-thirds (2/3) majority of those present at a meeting of the members called for the purpose of considering the investment, but in no case shall an investment under this clause exceed 10% of the share capital and deposits of the credit union, nor shall the aggregate of all investments of the credit union under this clause exceed 25% of its share capital and deposits (Section 35 (1) (b)).

The provisions of the Corporations Act dealing with authorized investments for joint stock insurance companies are contained in Section 208, subsections 2 to 15, and reference should be made to the Act for an exhaustive list of such investments and the restrictions applicable thereto. The following is a summary of those authorized investments which are likely to be of interest to credit unions, and the restrictions applicable thereto. Under these provisions, funds of a credit union may be invested in: -

- (a) bonds of or guaranteed by the Government of Canada or by any Province in Canada;
- (b) bonds of any municipal or school corporation of Canada;
- (c) bonds of any company which are secured by a mortgage to trustees upon real estate or other assets of such company;
- (d) bonds or debentures of any company which has paid a dividend in each of the five years immediately preceding the date of investment at the

investments authorized by this Act and the

(5) in any investment, other than the one set out above

where such investment is approved by a resolution

passed by a two-thirds (2/3) majority of

those present at a meeting of the members called

for the purpose of considering the investment.

but in no case shall an investment under this

clause exceed 10% of the share capital and

be made in the ordinary course of the business

and of all investments of the credit union under

this clause exceed 50% of its share capital and

deposits (Section 47 (1) (b)).

The provisions of the Corporations Act dealing with authorized in-

vestments for joint stock insurance companies are contained in Sec-

tion 208, subsections 1 to 17, and references therein to the

And for an extensive list of subsidiaries and the restrictions

applicable thereto. The following is a summary of those provisions

investments which are likely to be of interest to credit unions and

the restrictions applicable thereto. It should be noted that

of a credit union may be invested in:

(a) bonds of or guaranteed by the Government of

Canada or by any Province in the Dominion

(b) bonds of any municipality or of any corporation

(c) bonds of any company which are secured by

mortgage to the first mortgagee of the property

assets of such company

(d) Loans or advances of any company which are

and a dividend in each of the years in which

it has received the rate of interest of 10%



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specified annual rate on its preferred shares, or has paid a dividend on its common shares for each of the past five years of at least 4% of the average value at which the shares were carried in the capital stock account of the corporation during the year in which the dividend was paid;

(e) bonds and debentures of other corporations provided they meet the requirements set out in Section 208, subsection (2), clause (j), subclause (ii);

(f) preferred shares of any company which has paid a regular dividend at the specified rate during each of the last five years upon all its preferred shares, or has paid a dividend on its common shares for each of the past five years of at least 4% of the average value at which the shares were carried in the capital stock account of the corporation during the year in which the dividend was paid;

(g) fully paid common shares of any company which has paid a dividend for each of the last seven years on its common shares of at least 4% of the average value at which the shares were carried in the capital stock account of the corporations during the year in which the dividend was paid;

(h) in securities not authorized by clauses (a) to (g) above, provided that the total investment in such unauthorized securities does not exceed 3% of the total assets of the credit union.



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prohibitions and restrictions.

No credit union shall: -

- (a) except as to securities of or guaranteed by the Government of Canada, or the Government of any Province of Canada, or a municipal corporation in Canada, invest money in any one security or make a total investment of any one corporation of more than 10% of its funds;
- (b) except as to securities of or guaranteed by the Government of Canada, or the Government of any Province of Canada, or a municipal corporation in Canada, make any investment the effect of which will be that such credit union will hold more than 10% of the total issue of shares of any one company;
- (c) make any investment in common shares if after making the investment the total book value of the investments of the credit union in common shares shall exceed 15% of the book value of the total assets of the credit union;
- (d) invest any of its funds in bonds, debentures or other evidences of indebtedness on which payment of principal or interest is in default.

It should be noted that these restrictions apply only to investments made under Section 35 (1) (a) of the Credit Unions Act, and not to investments authorized under other sections of that Act.

P 92

This League is entirely satisfied with the statutory limitations regarding investments by credit unions, as we feel that the range permitted is quite adequate for our needs.

Investment Responsibility

P 93

It is entirely up to the individual credit union as to how its surplus



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funds may be invested, provided that it abides by the law. Naturally the League Central encourages the depositing of surplus funds in the Central, but as indicated above (paragraph 89), credit unions also invest surplus funds in Government and Government-guaranteed bonds and in municipal and industrial securities.

P 94 The League Central, although it has substantial surplus funds, has hitherto only had these funds as surplus temporarily, during seasonal low-demand periods. For this reason such surplus funds have been invested in short-term securities. However, in 1961, as loan demand was consistently below availability of funds, such short-term investments were considerable higher and for longer periods than in previous years. For a number of years, about \$50,000. has been out on long-term investments, in Government or Government-guaranteed bonds.

Pooling

P 95 As far as we are aware there are no practices relating to the pooling of the investment activity of local credit unions.

Security Dealers

P 96 There is no law regulating business between credit unions and security dealers. Relationships between the few credit unions who do business with security dealers appear to be very good, as is that between the League Central and security dealers.

Accounting Practices

P 97 The Corporations Act 1961 requires that investments be shown separately on the Balance Sheet, indicating their nature, the basis of their valuation, and showing separately those that are marketable with a notation of their market value (Section 86 (7)). Section 84 (1) (d) of the same Act requires income from investments to be shown separately.



III ASSETS

Hence investments and income therefrom are set up in the books of credit unions in such a way as to comply with the above mentioned requirements. Generally credit unions show their investments at cost.

LOANS AND MORTGAGES

Classes of borrowers favoured

As credit unions may make loans only to members, (Credit Unions Act - section 4 (1) (b)), and the membership is limited to those persons within the bond of association under which the charter is issued, the credit union is not in a favourable position to be able to select and prefer any particular classification of borrowers. It is the philosophy of credit unions to give preference to small loans while taking into consideration the urgency of the needs of the borrowers.

Average Size and Term

As statistics of these items have never been kept by most credit unions, and because of the extremely large volume of work entailed in creating them, we have been unable, in the time granted, to obtain the required figures. However, from our knowledge gained as credit union examiners, we shall endeavour to estimate as closely as possible.

The average of all loans, including personal and mortgage, we believe to be about \$800.00. The average size of personal loans has gradually increased over the years, the present average appearing to be about \$550.00. Mortgage loans of which there is considerably less volume in number than personal loans, average approximately \$6,500.00. While this appears to be a low average, the regulations of the Ontario Department of Insurance for mortgage loans state that they must not in any instance exceed 60% of the appraised value of the property involved. This limiting regulation results in a lower average in the amounts issued for mortgages than might be expected.



III ASSETS

102 As is generally accepted in the credit field, the risk involved in making personal loans is determined to some extent by the term of the loans. This has led to credit unions restricting the term of personal loans as much as practicable. The current average term of personal loans issued appears to be approximately eighteen months.

P 103 The average term of mortgage loans is governed by the above-mentioned Ontario Department of Insurance regulations which limit the term of these loans to five years. We therefore, find most mortgage loans contracted for five years but usually repayment is amortized over a longer period.

P 104 The character of the borrower and his need are held as the prime consideration in evaluating credit risks in credit unions. Combining these with the borrower's credit rating, the decision of the amount of risk involved is held as being ascertainable. Several factors are involved in establishing a borrower's credit rating such as:

- (a) Previous credit record
- (b) Stability of residence and employment
- (c) Work record
- (d) Accumulation of personal assets
- (e) Ability to repay

To determine the ability to repay, the standard loan application form (Appendix 027) provides considerable information concerning the borrower's marital status, income, expense, and other indebtedness. From these facts, his ability to repay is established.

Rationing Credit

P 105 When rationing credit is necessary, at times when the demand from credit-worthy borrowers exceeds a credit union's lending resources, the most common and effective system is action taken by the Board of Directors to reduce the maximum loan in excess of shares



III ASSETS

for which applications will be accepted. Following this, the loans are issued by the Credit Committee in order of the dates on which applications are made as funds become available. This system has been altered by some credit unions to give preference to loans for subsistence purposes such as food, clothing, rent or mortgage payments and other emergency loans of immediate need. Attached is literature used by credit unions for guidance during strikes or layoffs when a credit union's lending resources might be depleted. (Appendix 028)

Directors as Borrowers

P 106

Directors may not borrow in excess of their shares from their own credit union unless their applications have been approved by the Supervisory Committee and the Board of Directors in addition to the Credit Committee which latter committee normally approves all loans to members. (Credit Unions Act - section 29 (3)) While the Board of Directors may set loaning policy affecting all loans, (e.g. the maximum loan permitted to any member), it does not have authority to make decisions of approval or rejection on individual loan applications. This authority is given solely to the Credit Committee (an elected body) under section 31 (6) of the Credit Unions Act, or to a loan officer appointed under By-law by the Board of Directors. (Credit Unions Act - section 31 (8)).

Credit Decisions

P 107

Each credit union has complete authority and responsibility to make credit decisions concerning loans to its own members. The League Central may not accept individuals as members. Only credit unions may become members of the Central. The Central has complete authority and responsibility to make credit decisions on loan applications received from member credit unions. The League Central has no responsibility to or authority over credit unions and vice-versa in making credit decisions.



III ASSETS

Collateral

P 108 Article V of the standard By-laws requires all loans over two hundred dollars (\$200.00) to be secured. Further, any loan in excess of \$3,000.00 above the member's shares and deposits, which are taken as collateral, must be secured by a first mortgage of real estate. It also states that the following may be deemed security: chattel mortgage, assignment of wages or of other moneys receivable, assignment of shares of the credit union and endorsement of a promissory note. (Appendix 029)

P 109 The most commonly used form of security is the assignment of wages, a copy of the form being attached (Appendix 030). The legality of this document has been proven in several courts, and attached is a copy of the reasons for judgement in an Ontario Appeal Court Action (Appendix 031). It is used only when requests for voluntary payment have been ignored and then only with the approval of the Board of Directors (By-law V, 3(d)). The assignment of moneys receivable (Appendix 032) is used as an alternative to the wage assignment when the borrower is not employed at a wage or salary. Its most common use is in rural areas to secure loans to farmers.

P 110 The chattel mortgage (Appendix 033) is used mainly by credit unions to secure loans issued for the purchase of automobiles. The chattel mortgage is placed on the automobile purchased and it is usually registered in the County Registry Office. It is the exception rather than the rule for Ontario credit unions to take chattels other than cars as security. Another common type of security accepted by credit unions is the endorsement of the promissory note by a co-maker, who is screened to determine his ability to repay the loan should it not be recoverable from the maker. The co-maker is also made aware by the credit union of his responsibility in signing the note before his signature is accepted.



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P 111 The borrower may assign his credit union shares as collateral for a loan. Further, pursuant to section 27 (2) of the Credit Unions Act, the credit union has a lien on the shares and deposits of a member for any debt due it by him. This enables the credit union to offset the shares and deposits of a member towards the repayment of a loan due it by him whether he has previously assigned his shares or not.

P 112 Second mortgages of real estate are also accepted as security for Credit Union loans. These agreements are drawn up and registered by a lawyer after the property has been evaluated.

Lending Practices

P 113 The only major regional difference in lending practices in Ontario is between the urban and rural credit unions. Whereas urban credit unions usually employ either weekly, bi-weekly, semi-monthly or monthly repayment contracts, the rural credit unions often accept term repayment contracts for periods up to a year. This difference is necessitated by the variation in income schedules of persons living in these areas. Whereas the urban resident usually receives his income at intervals of a month or less, the income of the rural resident often is seasonal or regulated by contracts which he has with wholesalers handling his produce.

Lending Rates

P 114 The maximum interest rate which may be charged on loans by Ontario credit unions is one percent per month on the unpaid balance of the loan. This rate must include all charges and penalties. (Credit Unions Act-section 29 (2)) The majority of credit unions in Ontario charge one percent per month on the unpaid balance for personal loans. However, in some instances, individual credit unions charge lesser rates such as three quarters or one

III ASSETS

half of one percent per month on the unpaid balance. Other instances are known of rates being calculated on an annual basis varying from six to nine percent. The annual basis is mostly used by rural credit unions for term loans.

P 115 The Ontario Credit Union League generally promotes the "one percent per month on the unpaid balance" rate except for term loans. Charging at this rate provides sufficient surplus from which adequate reserves for bad debts may be set aside. Subsequently, the cost of borrowing to the members may be reduced by the credit union paying a rebate of interest to the borrowers each year-end, from the remaining surplus, after the payment of dividends to the shareholders has been made.

P 116 The rate of interest charged on mortgage loans varies from 5 1/2% per annum to 7% per annum. The average current rate appears to be about 6 1/2% per annum.

P 117 We believe that one criteria according to which interest rates are set is the desire of credit union officers and memberships to provide sufficient net income to be able to set aside adequate reserves from surplus to protect the shareholders against loss, while at the same time being able to pay the shareholders a fair return on their savings. Another criteria is the desire of credit unions to have sufficient income with which to provide some security to their members and families through the purchase of group insurance contracts on their loan and share accounts. In case of death or total disability of a member, the insurance pays off his loan and doubles his savings up to a certain amount, providing they were deposited before the member became fifty-five years of age. Lesser amounts of savings insurance are paid on deposits made after age fifty-five.

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 deposited before the member became fifty-five years of age.
 Lesser amounts of savings insurance are paid on deposits and a
 after the fifty-five



III ASSETS

P 118 Naturally, the cost of operating the Credit Union, including office supplies, depreciation of equipment, rent, salaries and others, is taken into consideration when a Board of Directors sets the interest rate on loans. After taking all of the above into consideration, the majority of credit unions are charging one percent per month on the unpaid balance for personal loans and six and one-half percent per annum on mortgage loans.

P 119 Our understanding of rates charged by other lending institutions is that they vary widely. To illustrate this point, the following indicates what we understand to be the rates being charged by small loan companies and banks. Small loan company rates are controlled by the Small Loans Act which sets forth a schedule of maximum rates as follows:

2% per month on amounts up to \$300.00

1% per month on amounts from \$301.00 to \$1,000.00

1/2% per month on amounts from \$1,001.00 to \$1,500.00

No restriction on amounts over \$1,500.00 but we understand that 2% per month is charged on loans in this category by some companies.

P 120 Banks have varying interest rates dependant upon the amount and nature of collateral given. Some of these rates are described as follows:

1. Six percent per annum calculated on the minimum monthly or quarterly balance and charged monthly or quarterly.
2. Six percent per annum on the amount loaned and charged monthly.
3. Six percent per annum on the amount loaned and deducted from the amount loaned before the loan



III ASSETS

is issued, the borrower receiving the net amount
after the interest has been deducted.

It is our understanding that whereas the Bank Act sets forth the maximum interest rate, it does not set forth how the interest is to be calculated. This permits varying methods being used and results in varying actual interest costs.

P 121 In Ontario credit unions the Boards of Directors set the interest rates to be charged on loans as set forth under the standard By-laws, Article VII, 4 (c). In a few credit unions, and in particular, ethnic groups, we find varying interest rates charged on different classes of loans. As there is no set pattern among the different credit unions we can only offer general discussion on the subject.

P 122 Credit unions strive to encourage their members to borrow for short terms, rather than using their savings, thereby losing the security created by the insurance on those savings. To encourage this, some credit unions offer a reduced rate of interest for loans which are fully secured by share and deposit accounts. Other instances are known where reduced rates are offered on loans secured by second mortgages of real estate. Other instances are known where credit unions set different rates dependant upon the size of the loan. Larger loans are issued at lesser rates of interest. These credit unions find it desirable to reduce the cost of borrowing to those members whose borrowing needs are larger.

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It is our understanding that, whereas the bank has the right

minimum interest rate, it does not have the right to

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unions find it desirable to reduce the cost of a

members who are borrowing funds for



IV LIABILITIES

DEPOSITS:

- P. 123 Our 1960 statistics (Appendix 022) indicate that members' deposits in credit unions under \$1,000,000 in assets average from 2.0% to 2.7% of total liabilities (according to asset group), but such deposits in credit unions over \$1,000,000 in assets average 12.0% of total liabilities. Members' shares (long-term savings) in the former group of credit unions represent from 81.8% to 83.1% of total liabilities (according to asset group), whereas in the latter group, such shares represent 75.5% of total liabilities.
- P. 124 Deposits are permitted under Section 4 (1a) of the Credit Unions Act and under Standard By-Laws, Article IV (1). Two classes of deposits are commonly used by credit unions:
1. Term deposits
 2. Personal chequing deposits (secondary chequing).
- These two types are not separated in our statistics.
- P. 125 Those credit unions operating secondary chequing accounts through the Co-operative Credit Society, are required by the Society to keep on deposit with the Society a sum equal to at least 25% of the aggregate deposits of the members.
- P. 126 Deposits are normally withdrawable on demand although under By-Laws, Article IV, (2), the Board of Directors may require thirty days notice of intention to withdraw deposits.
- P. 127 Secondary chequing deposits, as their name implies, provide chequing privileges up to the amount deposited.
- P. 128 Rates of interest paid on term deposits vary, generally depending on the length of time the funds must remain on deposit. Terms are three or six months or one year (By-Law, Article IV, 3), and rates generally vary between 3 and 5 per cent.



IV LIABILITIES

P. 129 Two basic reasons exist for inviting deposits from members:

1. Insufficient funds coming into the credit union by way of share savings to meet loan demand. Here the interest rate offered would have to be high enough to induce further investments by some members.
2. In ethnic groups particularly the desire of the members for fixed interest rate investment.

P. 130 The Board of Directors is responsible for determining interest rates (By-Laws, Article VII, 4 (c)) and the interest period and days of payment of interest (By-Laws, Article IV, 3).

P. 131 Without being able to support it with actual statistics, there is no doubt that as interest rates on deposits are raised, more new money is attracted to deposit accounts by members, and as interest rates are lowered, less money is attracted.

SHARES

P. 132 Class - There is only one class of shares represented in the capital of a credit union (Credit Unions Act, Section 19). Under this section of the Act, the amount of each share is limited to \$10.00. However, the Standard By-Laws Article III, 1, limits the value of each share to \$5.00, which is the norm for Ontario credit unions.

P. 133 Trust - Shares may be held in trust by a member for a named beneficiary, who shall be deemed a member of the credit union only for the purpose of qualifying for life insurance under a group policy of insurance purchased by the credit union on the lives of its members. (Credit Unions Act, Section 21).

P. 134 Withdrawal - In practice members may withdraw shares on demand, however, Article III, 3 of the By-laws gives the Board of Directors the right if desired to require sixty days notice of intention to withdraw shares.

The Credit Unions Act, Section 20 (4) empowers the Board of Directors,



IV LIABILITIES

in the event that the credit union has suffered an impairment of capital, to fix the proportion of money invested in shares that may be withdrawn, and as long as any impairment of capital exists, to change such proportion from time to time.

P. 135 Lien - A credit union may refuse withdrawal of shares by a member, if such member is delinquent in payment of a loan to the credit union. Section 27 (2) of the Credit Unions Act provides that a credit union has a lien on the shares of a member for any debt due to it by him, and may set off any sum standing to the credit of such member on the books of the credit union in or toward the payment of such debt.

P. 136 Responsibilities and Privileges -

A credit union exists for two main purposes:

1. to encourage thrift by members
2. to make loans to members

A good shareholder then is a member who saves what he can in the credit union, with the intention of building up his savings indefinitely. If and when he needs to borrow he leaves his savings intact, and borrows from the credit union. He does not withdraw his savings for the sake of obtaining a higher dividend elsewhere, but leaves them in the credit union to be available for loaning to his fellows at a reasonable rate. Among his responsibilities is that of attending the Annual Meetings (and Special membership meetings) and exercising his franchise as a shareholder and part owner of the credit union.

P. 137 Liability - A member is not liable to the credit union for shares subscribed for in excess of the amount actually paid thereon. (Credit Unions Act, Section 20 (3)).

P. 138 Rate of Withdrawal of Shares -

The continued steady growth of credit unions, and of the average investment of members indicates that the withdrawal of shares in a credit union is almost always exceeded by the investment of new money

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in shares. Most credit unions encourage members to take a loan rather than withdraw shares, and where a loan exists, shares up to the amount of the loan are usually accepted as collateral and are therefore "frozen".

P. 139

Rates of Return

Dividends paid on credit union shares commonly vary from 3% to 5 1/2%, the commonest rates being from 4% to 5%. Our 1960 Statistics indicated the following:

Assets over

\$1,000,000	Average dividend of 15 Credit Unions - 4.4%
500,000	Average dividend of 36 Credit Unions - 4.15%
150,000	Average dividend of 90 Credit Unions - 4.4%
50,000	Average dividend of 133 Credit Unions - 4.3%

P. 140

Without being able to substantiate the point, we would say that investment by members in shares of the credit union is increased somewhat when dividends are raised, and perhaps also the reverse is true. However, it should be borne in mind that many credit union members belong to only one credit union, and they support their own organization by investing their money in it, not regardless of dividend rates, but less influenced by them as are individuals who are looking for the highest return possible on their money.

P. 141

Proportion of Liabilities

Shares have formed by far the largest part of credit union liabilities in Ontario for the following reasons:

1. Shares have always been regarded as the fundamental "capital" of a credit union, and as the members own the organization, it seemed natural to express that ownership by investment in shares. Deposits were regarded as secondary, being introduced for personal chequing service or to attract more new money than shares were providing.



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2. Members investing in shares, share a common liability - to the extent of their shareholding, whereas depositors are preferred creditors. Credit union philosophy suggests to us that a preponderance of shareholding over deposits is more in keeping with the credit union idea.
3. The fact that shares form the major part of a credit union's liabilities results in larger allocations to the Guarantee Fund. Deposit interest is usually charged as an expense, thus reducing net profits on which the 20% statutory allocation to the Guarantee Fund is based. Dividends on shares are of course a distribution from Undivided Earnings (net profit plus accumulated surplus).

P. 142 Security against Loss

At the present time there are no arrangements in Ontario for the insurance of deposit and share liabilities of credit unions. This League does not feel that such insurance is necessary, because of the existence of other means by which credit union members are given a considerable measure of security against loss, as indicated below:

P. 143 1 Stabilization Fund

Prior to the establishment of this fund in 1961, the League had on a number of occasions assumed the burden of stabilization service to credit unions by provision of technical assistance, merger techniques, sale and purchase of assets and other methods.

P. 144 The affiliated members of the League at the Annual Meeting held in March, 1961, authorized the Board of Directors to institute a Stabilization Fund in the manner outlined hereunder:

- i. That a fund be established to be known as the Stabilization Fund, for the purpose of
 - (a) making loans, advances or grants-in-aid to participating credit unions that, in the opinion of the board are in financial



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difficulties and require assistance from the fund in order to maintain their solvency and to meet claims of their members for withdrawal of their shares and deposits in the ordinary course of business; and

(b) assisting participating credit unions which are in the process of liquidation as a result of financial difficulties and are unable to meet from their own resources the claims of their members for withdrawal of shares and deposits, by paying to such credit unions sums in lieu of their losses as the board deems fair and reasonable.

ii. That the fund be administered by the Board of Directors.

iii. That any credit union that is a member of the League be entitled to participate in the fund upon making application and paying the prescribed contributions.

iv. That participating credit unions be required to invest in the fund one half of one per cent of their shares and deposits or such lesser sum each year as may be determined by the Directors from time to time; that such sums will be treated as an investment by the credit union and which will be increased by earnings of the fund and decreased by any losses of the fund.

v. That moneys of the fund not being used to assist credit unions be invested or deposited with the League Central or invested in such other investments as the Directors may determine.

vi. That the Board of Directors be authorized and empowered from time to time to make regulations for the following purposes:

(a) setting forth the circumstances under which the fund may be used to assist credit unions and how it is to be used;

(b) relating to the deposit of money by participating credit unions; the amount of the annual investment to be made by participating credit unions; the adjustment of the value of the credit union investment in the fund each year; and

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difficulties and require assistance from the fund in order to
maintain their solvency and in most cases of their mortgage
for withdrawal of their shares and deposits in the property
course of business; and

(b) assisting participants for credit under a security in the process
of liquidation as a result of financial difficulties and are
unable to meet from their own resources the claims of their
creditors for withdrawal of assets and deposits, by paying to
such credit unions sums in lieu of their losses on the loans
to their and members;

That the fund is authorized under the Board of Directors
That any credit union that is a member of the fund be
entitled to participate in the fund upon making application and
paying the prescribed fee;

That participants in credit under the fund be required to meet in the
fund one-half of the cost of their shares and deposits or
such lesser sum as the fund may determine to be
sufficient from time to time that such sum will be paid
as an investment by the credit union and which will be
increased by earnings of the fund and decreased by expenses
of the fund;

That moneys of the fund not being used to pay interest on
be invested or deposited with the Federal Reserve or invested
in such other investments as the Board may determine;

That the Board of Directors be authorized and empowered to
make to make contributions for the following purposes:

(a) setting aside the fund as a reserve for the fund;
to meet the needs of the fund and to pay to the fund;
(b) relating to the deposit of money by participating credit
unions; the amount of the annual contribution to be made
by participating credit unions as the equivalent of the value
of the credit union investment in the fund each year; and



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Toronto, Ontario

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for furnishing each credit union with a statement each year and a valuation of its investment in the fund;

(c) the circumstances under which a credit union may withdraw its investment in the fund;

(d) for the return to each participating credit union of its investment in the fund on a revolving basis;

(e) fixing a date on which the fund shall be established; and

(f) such other matters not inconsistent herewith which may from time to time be necessary for the operation of the fund.

P. 145

Control of the Stabilization Fund is vested in the League Board of Directors who have authorized a committee to administer the fund. Membership in the fund is voluntary and available to all Ontario credit unions who are members of the Ontario Credit Union League Limited. On September 9th, 1961, the Board of Directors determined that credit unions desiring to participate in the Fund would be required to invest on the basis of one-tenth of one per cent of shares and deposits as of December 31st, 1960.

P. 146

At this time there had been no consideration given to the method of accepting new credit unions who were not operating in 1960, or existing credit unions which had not participated in the Fund in its first year. A subsequent Board of Directors meeting held February 3rd, 1962, determined that the Fund be maintained at one-tenth of one per cent (i.e. investment be made by participating credit unions on the increase of Shares and Deposits from December 31st, 1960 to December 31st, 1961 and each year thereafter, but only on the increase). Additional credit unions wishing to participate would be required to invest at the same rate based on Shares and Deposits as at the previous December 31st.

P. 147

By December 31st, 1961, 485 Credit Unions had applied for participation in the Fund and were accepted by the League Board of Directors,

IV. POWERS

for furnishing each of the reports with a statement of the

and a valuation of the property in the fund,

(c) the circumstances under which a credit report may be

its in relation to the fund;

(d) for the return to each party, including a statement of the

mean in the fund in a revolving basis;

(e) fixing a date on which the fund shall be liquidated, and

(f) such other matters and terms that may be necessary to

time to time be necessary for the operation of the fund.

Control of the Fund shall be vested in the Managing Board of

Directors who have and exercise a responsibility to the

Membership in the fund for the management and administration of the

action who are members of the fund and who are not

On September 9th, 1961, the Board of Directors of the

action decided to liquidate the fund and to distribute

on the basis of the liquidation of the fund and to distribute

At this time the Board of Directors of the fund decided

accepting new credit ratings which were made in 1961.

existing credit ratings which had been made in 1961.

first year. A subsequent report of the Board of Directors

and, 1961, a statement that the fund had been liquidated

not at all. The amount of the fund, as liquidated, was

the increase of shares and the amount of the fund was

December 31st, 1961 and again in 1962, but only in the

(increase). Additional credit ratings were made in 1961

required to lower at the same time based on shares and

on the previous December 31st.

By December 31st, 1961, the Credit Union had applied for



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having invested \$73,439.13. These funds have been re-invested in the League Central, and subsequent to the League Annual Meeting, to be held in March 1962, a financial statement will be forwarded to each participant of the Fund.

P. 148 There have been no demands made against the Fund as at the date of this brief. The League Board of Directors has determined that every effort will be made to obtain 100% participation of affiliated credit unions during 1962, and succeeding years.

P. 149 2 Control and Supervision

Members are further protected from possible loss by the various controls and supervisory procedures detailed in paragraphs 66 to 73 above.

P. 150 3 Guarantee Fund

The Guarantee Fund, detailed in paragraph 200 below, is designed to absorb losses which otherwise could impair the equity of the members in their credit union.

P. 151 4 Delinquency Control

As excessive delinquency on loans may impair the members' equity in the credit union, strong emphasis is placed on delinquency control. The Board of Directors decides what action is to be taken to collect delinquent accounts, and the Treasurer is responsible to see that the Board's instructions are carried out. Most credit unions have a delinquent loan committee, composed usually of several directors and members of the Supervisory Committee. This Committee works in close co-operation with the Treasurer.

P. 152 In addition to personal contacts by members of the delinquent loan committees, many credit unions are in the position of being able to file Wage Assignments where it is considered desirable. Further, the use of collection agencies is extensive amongst credit unions. This League offers to its members the services of "Canada Bonded Attorney



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and Legal Directory". This service involves preliminary action against delinquents prior to possible legal action.

P. 153 The Department of Insurance requires that all loans on which no payment has been received for six months (except where no payment was due) be covered by the Guarantee Fund.



V RELATIONS WITH OTHER FINANCIAL INSTITUTIONS

P. 154 Section 4, (1) of the Credit Unions Act outlines the primary objects of a credit union as follows:

"Credit unions may be incorporated having for their object and purpose,

a) the receiving of moneys on deposit from members and as payment for shares;

b) the making of loans to members with or without security for provident and productive purposes".

P. 155 These savings and lending services are provided in each credit union to a specific group of persons as authorized under the terms of its corporate charter and the Credit Unions Act. Section 8, of this Act describes the membership limitations as follows:

"The membership of a credit union shall be limited to persons having a common bond of occupation or association or to persons within a well-defined neighbourhood or community".

P. 156 The services offered by credit unions to their members duplicate in part those services offered by financial institutions which accept moneys in the form of either savings or deposit accounts (mainly chartered banks and trust companies), or by those financial institutions which provide consumer cash credit in the form of installment loans (mainly consumer finance companies and chartered banks). A few credit unions with funds available in excess of the consumer credit needs of their members, grant residential mortgage loans at rates which are competitive with other mortgage lenders. The primary lending field of a credit union is in meeting the consumer credit needs of its members with installment loans for provident and productive purposes. Some of these loans will be used to purchase durable goods, the sale of which would be otherwise financed through an Acceptance or Sales Finance Company. In a similar fashion credit union loans provide an alternative to the members' use of such forms of consumer financing as charge accounts, deposit accounts, revolving credit accounts, and credit card financing. The member who purchases



V RELATIONS WITH OTHER FINANCIAL INSTITUTIONS

goods or services with the money he has borrowed from his credit union, may often receive a cash discount on the list price of such goods or services.

P. 157 A strong factor which attracts and retains potential members in the credit union, is the common bond concept, where services are provided to a limited specific group of persons, as compared with financial institutions whose terms of incorporation allow for the provision of services to the general public. Educational activities within the common bond can be very effective, giving to the members an understanding of their position and prerogatives as shareholders, depositors, or borrowers.

P. 158 Credit union philosophy and principles attract many competent leaders who generally serve as unpaid voluntary officers. Some members either serve as officers, or use the services of the credit union, with the firm conviction that the credit union idea is a practical expression of the Biblical injunction: "Do unto others as you would have them do unto you". Others are motivated to support the services of the credit union with the desire to promote mutual assistance in the field of family financial needs. These and similar convictions stimulate member patronage and also have a positive effect on credit union growth.

P. 159 The bulk of members' savings in Ontario credit unions are shown by our 1960 statistics to be in the form of share capital. (Appendix 022). Shares denote member ownership, voting power, the right of discussion at the annual meeting, and an annual dividend based upon net earnings after provision for statutory reserves. Pride of ownership, the statutory right of each member who has attained his majority to run for office, the democratic principle of one member, one vote, are some of the intangible factors which place the credit union in a favourable position for receiving both the savings dollar and the loan business of its members.



goods or services with this money he has borrowed. In fact, the
union, may often receive a cash dividend or the full price of such
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credit union, is the common bond concept, where members are provided
to a limited specific group of persons, as compared with financial
institutions whose terms of incorporation allow for the provision of
services to the general public. Educational activities within the
common bond can be very effective, giving to the members an under-
standing of their position and providing as a result a position
of borrowers.
Credit union philosophy and principles are not the same as those of banks
who generally serve as money-lending institutions. Some members who
serve as officers or on the board of the credit union with the
firm conviction that the credit union idea is a practical expression of
the Biblical injunction: "Do unto others as you would have them do
unto you." They are motivated to support the services of the credit
union with the desire to provide mutual assistance to the needy of
family financial needs. They are not simply convictional altruists
member patronage and also have a positive effect on credit union
growth.
The task of members and staff in financial institutions and the credit union
1960 statute to be in the form of share certificates (part 1025).
Shareholder member ownership, voting power, the right of
election at the annual meeting, and an annual dividend based upon the
earnings after provision for a statutory reserve. Right of ownership
the statutory right of each member who has obtained the right to
and the union, the democratic principle of one member, one vote.
Some of the statutory factors which are to be taken into
favorable position for credit union development, the following factors are
business of the union.

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V RELATIONS WITH OTHER FINANCIAL INSTITUTIONS

P. 160 In the discussion which follows regarding some of the forms which competition takes between credit unions and other financial institutions for the savings dollar and the loan business of credit union members, we are able to speak of the operations of other financial institutions only in a general way, based upon our impressions of what these other institutions appear to be doing. We have statistical information regarding Ontario Credit Unions, as well as a specialized knowledge of their operational methods, but similar information regarding other financial institutions in Ontario is not available to us in such detailed form at this time.

P. 161 Rates of Interest Paid on Savings

Where term deposits are accepted by Ontario credit unions, the rate of interest generally paid varies between 3 and 5 per cent per annum. Terms are three to six months or one year (By-Law Article IV, 3). The Board of Directors is responsible for determining the rate paid (By-Law Article VII, 4 (c)), as well as the interest period and days of payment of interest (By-Law Article IV, 3). Our 1960 statistics indicate that members' deposits in credit unions under \$1,000,000 in assets average from 2% to 2.7% of total liabilities (according to asset group), but such deposits in credit unions over \$1,000,000 in assets average 12% of total liabilities.

P. 162 Share capital forms the bulk of members' savings in Ontario credit unions. Dividends paid generally vary from 3% to 5 1/2% with the commonest range between 4% and 5%. Our 1960 statistics indicated the following:

<u>Assets over</u>	<u>Average dividends</u>
\$1,000,000	of 15 credit unions 4.4%
\$ 500,000	of 36 credit unions 4.15%
\$ 150,000	of 90 credit unions 4.4%
\$ 50,000	of 133 credit unions 4.3%

P. 163 We understand that trust companies generally offer a savings service



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which includes personal chequing privileges. Interest paid on savings in this category, we understand, would normally be in the vicinity of 3 1/4 to 3 1/2 per cent, computed on a minimum quarterly balance, and compounded half-yearly. Guaranteed savings or investment certificates are also offered to attract longer term savings. The interest paid on such certificates would perhaps range from 4.0% on a certificate held to a two year maturity, up to 5.0% on a certificate held to a five year maturity.

P. 164 We understand that it is a general practice among chartered banks to offer a savings account service which includes personal chequing privileges. The interest rate offered on savings accounts, as well as the terms of computing such interest, is determined by the individual bank. We understand that it is the usual practice to compute the interest on the minimum quarterly balance at the rate of 2 3/4% per annum and to credit such interest to the individual savings accounts half-yearly.

P. 165 From the above discussion, it would appear that credit unions are in a favourable position to receive the savings dollar of their members where the rate of interest paid on savings, as compared with that paid by trust companies and chartered banks, is the sole factor to be considered.

P. 166 Interest Rates Charged

Section 29 (2) of the Credit Unions Act states the maximum rate which a credit union may charge as follows:

"Interest together with all charges and penalties shall not exceed 1 per cent per month on the unpaid balance of the loan". Article VII, 4 (c) of the Standard By-Laws states, in part, that one of the duties of the Board of Directors is to "determine, from time to time, interest rates". The maximum rate permitted under the Act is held to be equivalent to an effective rate of 12% per annum. This is the rate in general use in Ontario credit unions. Those credit unions which



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at the discretion of the Board of Directors charge a lesser rate, will show rates ranging from an effective rate equivalent to 6% per annum up to an effective rate equivalent to 9% per annum. The premiums paid for group insurance on both the loans and the savings of the members, are paid for out of the interest collected on the members' loans.

P. 167 It is general practice that one rate set by the Board of Directors be applied on a universal basis to the personal loans of the members, although there are some credit unions which vary this rate according to the type of loan. Many credit unions return a rebate to the borrower in good standing, usually expressed as a percentage of the interest he has paid throughout the year, which thus reduces the cost of his borrowing. Rebates vary within a range covering perhaps 5% to 25% of the interest paid. This rebate, when paid, is always in addition to the dividend paid to the shareholder. Where residential mortgage loans are granted, the rate charged ranges between 5 1/2 and 7 per cent per annum.

P. 168 Small Loans Companies, also known as Consumer Finance Companies, or Money Lenders, are in the primary business of providing cash credit in the form of installment loans. The Small Loans Act, which is a federal statute last revised in 1956, governs the activities of such lenders, in respect to loans not exceeding \$1500.00. Following is a schedule of permitted rates of charge within the legislated range:

2% per month on the part of the loan balance up to \$300.00.

1% per month on the part of the loan balance between \$300.00 and \$1000.00.

1/2% per month on the part of the loan balance between \$1000.00 and \$1500.00.

Where such companies make loans in excess of \$1500.00, it is our understanding that the rate of charge is at the discretion of the lender, is applied to the entire loan, and often runs at 2% per month on the unpaid balance of the loan.

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P. 169 It is difficult to present a clear picture as to the rates of charge which are in effect on the personal loans made by chartered banks. Although the Bank Act defines 6% per annum as the maximum rate of charge allowable on personal loans, different methods of calculation of this interest lead to different effective annual interest rates. One type of personal loan has been estimated at an effective annual rate of 11.5% and another at 10.5% on loans repaid on an installment basis. Such factors as discounting of the loan proceeds, method of repayment, collateral offered, and term of loan, all have a bearing on the rate charged.

P. 170 From the above discussion, it would appear that credit unions are in a favourable position, as far as rates charged to borrowers are concerned.

Charges Made For Services

Under the requirements of Section 29 (2) of the Credit Unions Act, 1 per cent per month on the unpaid balance of the loan is the maximum allowable charge to the borrower, and must include interest as well as all charges and penalties. Ancillary services provided, such as Loan Protection Insurance on the loans of the borrower, are paid for out of the interest collected on the members' loans. In a similar fashion, the Life Savings Insurance covering up to \$2000.00 of the member's savings is also paid for from the interest collected on the members' loans.

P. 172 Small Loans Companies charging the maximum permitted rates of charge on those loans within the legislated maximum of \$1500.00, may not assess the borrower with additional charges or penalties. Credit Unions and Small Loans Companies are the only legislated lenders who offer loans, the interest on which is computed at definite monthly rates on the unpaid balance of the loan. Prepayment of such loans is to the advantage of the borrower as he pays only for the use of the money until such date as the loan is paid off. The rates of charge,

V RELATIONS WITH OTHER FINANCIAL INSTITUTIONS

and method of computing these rates, can vary however, at the discretion of the Small Loans Companies which make loans in excess of the legislated maximum of \$1500.00. Where such loans are made on a discount basis, prepayment by the borrower does not mean that he will always receive a rebate in proportion to the unexpired balance of the loan contract. In this fashion, prepayment may mean that a borrower is paying considerably in excess of the contracted rate of charge which he would have paid if the loan had been repaid in regular installments up to the date of maturity of the contract.

P. 173

We understand that the credit life insurance offered by Small Loans Companies is usually at an additional charge to that which the borrower pays for his loan. In the case of the personal loans made by chartered banks, we understand that the cost of credit life insurance may or may not be included in the cost of the loan, at the discretion of the lender. Credit unions, as mentioned above, pay for both Loan and Life Savings Insurance from the interest collected on the members' loans, and do not assess the individual members for these group insurance premiums. We understand that in the case of personal loans received from a chartered bank, that some banks have a minimum service charge in effect, which is assessed on the borrower who repays in advance of contract or takes out a small loan for a short term.

SERVICES OFFERED

P. 174

Credit Unions operate in accordance with the phrase: "Not for profit, not for charity, but for service". Through their formal services, credit unions aim to promote thrift amongst their members, with thrift being defined as the wise management of one's resources. Encouraging the members of the credit union to establish a regular savings programme by providing a convenient place to save, is the primary service of a credit union. These regular savings are made very convenient in the industrial credit unions where management has granted the privilege of pay-roll deduction. A second aspect of thrift



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is promoted by the second formal service offered, that is the lending service of credit unions. Members are offered loans for provident or productive purposes, with the stress being on the wise use of the member's credit. Family Financial Counselling, is now becoming recognized as a needed service, and has been adopted as a formal one by several credit unions. The individual member is given advice on his financial affairs, and mass counselling of the general membership in the principles of money management is encouraged.

P. 175 An ancillary service, the provision of both Loan Protection and Life Savings group insurance contracts, is in general use in Ontario credit unions. Loan Protection Insurance pays off the member's loans in the event of his death prior to age 70, or his permanent disability before the age of 60. Life Savings Insurance provides life insurance generally up to the first \$2000.00 of the member's savings, dependant upon the age of the member at time of deposit. (Appendices 034 and 035).

P. 176 In Ontario, some credit unions offer deposit accounts for personal chequing (negotiable orders). (See paragraphs 191 to 196).

P. 177 Small loans companies are also in the lending field but offer no competition for the savings dollar of the credit union member. A credit union with limited assets may be unable to meet all the personal loan requirements of its members. In this instance, Small Loans Companies may attract member business more readily than otherwise.

P. 178 Trust companies attract the savings dollars of their customers through savings accounts to which personal chequing privileges are attached. Chartered banks provide similar savings accounts, and also current account services. Only a limited number of Ontario credit unions offer deposit accounts for personal chequing (negotiable orders).

P. 179 Competition exists between banks and credit unions in the personal loan field. One chartered bank has been in this field for over 30 years.

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At least two other chartered banks have come into this field quite aggressively since the Bank Act was changed to allow the placing of a mortgage on the personal chattels of a customer as security for a loan. We have no available Bank statistics with which to make a considered comparison between the outstanding personal loans in chartered banks and those in Ontario credit unions.

LOCATION OF OFFICES AND HOURS OF BUSINESS

P. 180

There is a variety both of office locations and of hours of business to be found in Ontario credit unions. This follows from the diversity to be found in both types of credit union and in size of assets. By type, we have occupational, associational, and residential credit unions. Assets vary from the newest credit union with a few hundreds of dollars, to the largest ones with assets in excess of \$10,000,000. New credit unions usually begin operations with unpaid, voluntary help, and are open for business once a week for perhaps two or three hours. A new credit union in an industrial group usually locates its office in a convenient part of the plant, in space provided by management, where confidential business can be discussed. A new church credit union usually locates its office on church property, and is open for business on one evening during the week which is convenient for the members of the congregation. Other associational types of credit unions, such as labour union or ethnic groups, locate their offices where most convenient for the members, and have limited office hours at the start. A new community credit union might open its first office in the home of the Treasurer, with the intention of renting a convenient location in the town when such an expense can be justified out of earnings. As a credit union grows, it usually pays rent for its office location, as soon as is practicable out of earnings, and engages part-time and then full-time employees who will keep the office open for longer hours. Some industrial and some community credit unions are open for business daily, while others are open two or three times a week. Some industrial credit unions as they expand, locate in



V. RELATIONS WITH OTHER FINANCIAL INSTITUTIONS

premises near the plant, which premises are either rented or owned by the credit union. Some community credit unions also operate their businesses on a regular daily schedule in premises owned by the credit union.

P. 181 Small Loans Companies have for many years located in rented premises which are in an upstairs location. We have noted a few office locations in recent years at the street level, but these are mainly in suburban areas where lower office rents prevail. It would appear that office hours are fairly standardized, with a 43 hour week in effect, which includes five 8 hour days and either one evening or Saturday morning opening per week. During the pre-Christmas season both one evening opening and a Saturday morning opening may be in effect.

P. 182 It would appear that many Trust companies have office hours of approximately 40 hours per week. Evening or Saturday morning openings vary with the office location, and are determined by the desire to give customer service at the times of heaviest traffic flow.

P. 183 Chartered banks have standardized their business hours in recent years so that most branches are open to the public from 10.00 a.m. to 3.00 p.m., Monday through Friday, with an additional opening on Friday afternoon from 4.30 p.m. to 6.00 p.m. A few suburban branches have recently started an experimental Friday afternoon opening which runs from 4.30 p.m. to 7.30 p.m., presumably to meet competition from Trust companies.

P. 184 Rate of Growth

Several of the factors which have influenced the rate of growth of Ontario credit unions over the years are as follows:

1. Effective legislation which has been revised at intervals to meet changing requirements.
2. A strong League, which has both serviced and promoted the



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welfare of credit unions for many years.

3. The desire by many volunteer credit union officers to bring the benefits of the credit union idea to others, and their resulting efforts to organize new credit unions in conjunction with League staff.
4. Effective educational activities within the common bond of established credit unions, which has attracted potential members to the use of available services.
5. More disposable personal income available to more workers with progressively higher wage scales, has led to more savings over the years, some of which are channelled into credit unions.
6. An increasing demand for consumer credit has led to an increasing use of the loan facilities of credit unions as well as those of other financial institutions, particularly within the last decade.
7. An adequate return on savings and a reasonable rate of charge on loans, have both helped to expand the use of credit union facilities.
8. The regular use of the services offered, on the part of many credit union members, because of sincere belief in the merit of both credit union philosophy and principles.
9. The strong support given to credit unions in recent years by many persons who are in a position to assist or influence their organization and growth, such as church leaders, industrial management, labour union leaders, leaders of ethnic groups, etc.

P. 185

The majority of Ontario communities have other financial institutions which provide similar services to those offered by local credit unions. Credit unions temporarily unable to meet member loan requests at periods of peak seasonal demand, may find that some of their members patronize the lending services provided by these other institutions.

...of credit unions for many years.

3. The desire of many to union credit unions to bring the benefits of the credit union idea to others, and their resulting efforts to organize new credit unions in cooperation with laymen's aid.

4. Effective government action within the common bond of established credit unions, which has attracted potential members to the credit union idea.

5. More disposable personal income available to the workers with progressive taxation and social security, and the more secure over the years, some of which is obtained in credit unions.

6. An increasing demand for credit union services, and the increasing use of the credit union idea in credit unions as well as those of other financial institutions, and the resulting growth of the credit union idea.

7. At present, credit unions are not a recognized part of the financial system, and the credit union idea is not a part of the financial system.

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V RELATIONS WITH OTHER FINANCIAL INSTITUTIONS

P. 186 The bulk of personal savings is still held by the chartered banks. We have no accurate statistics regarding the rate of growth of other institutions, but understand that in the past five years the rate of growth in personal savings is highest among credit unions, followed by trust companies and chartered banks in that order.

P. 187 Summary

We wish to stress that relations between credit unions and the other financial institutions mentioned are good. Chartered banks are the institutions most widely used by Ontario credit unions as the depository for their current accounts. Ethical, legislated, Small Loans companies generally co-operate well with credit unions in establishing credit ratings. Trust companies have little direct dealings with credit unions, but as in the case of the other institutions mentioned, have their own worth-while place in the economy.

PROPER FIELD OF ACTIVITY

P. 188 Section 4 of the Credit Unions Act outlines the basic objects and ancillary powers of Ontario credit unions which come under the provisions of legislation:

- (1) Credit unions may be incorporated having for their object and purpose,
 - (a) the receiving of moneys on deposit from members and as payment for shares;
 - (b) the making of loans to members with or without security for provident and productive purposes.
- (2) As incidental and ancillary to the objects set out in subsection 1, a credit union may,
 - (a) make loans to other credit unions;
 - (b) deposit moneys with and make loans to any league incorporated under section 53 or a predecessor thereof so long only as the amount so deposited or loaned does not exceed 25 per cent of its share capital and deposits;



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(c) subject to confirmation by its members at an annual or special general meeting, make donations and gifts out of its surplus income or any undivided earnings, other than the guarantee fund, for the purpose of advancing the interests of the credit union or of credit unions generally. R.S.O. 1960, c. 79, s. 4.

P. 189 Ancillary services other than those outlined in legislation have evolved as credit union members, who are shareholders, and thereby owners of the credit unions, saw the need for such services. Included in this category are the group insurance policies in general force in Ontario credit unions on both the loans and shares of the members. The provision of Family Financial Counselling services to members by individual credit unions, has been given an impetus during the last year through pilot training programmes for counsellors, and is expected to evolve through time into a general service offered by most credit unions. Although the Credit Unions Act makes no mention of such a service, some 6% of the credit unions which are members of the Ontario Credit Union League Limited provide deposit accounts for personal chequing (negotiable orders), and these credit unions feel that this service comes within the proper field of credit union activity. (See below, paragraphs 191 to 196). Credit unions are voluntary associations of member-owners, who operate a chartered company to provide themselves with services suited to their group and individual needs. Just as needs may change with time, so may the services offered to accommodate these needs, with appropriate enabling legislative changes to match. It is possible that in future years additional ancillary services will develop as the need for such services is recognized by credit union members, and as the individual credit unions find that they are in a position to provide them.

P. 190 We can see no conflict of interest between credit unions and other financial intermediaries providing similar services. Credit union



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members may use both credit union services and the similar services provided by other financial institutions. Convenience and excellence of services offered will often determine the free choice of the credit union member as to which intermediary receives the bulk of his business dealings.

SECONDARY CHEQUING (NEGOTIABLE ORDERS)

P. 191 Secondary chequing service (the handling of negotiable orders for its members) is provided by about 6% of the credit unions in Ontario either through local banks or the Ontario Co-operative Credit Society.

P. 192 Chartered banks in Ontario set forth the following conditions for any credit unions providing this service who deal with them:

- (1) (a) The credit union shall conduct with a local branch a current account to which orders drawn on the credit union will be charged.

Exception - A credit union located in a community where there is no bank shall conduct with the nearest convenient branch a current account to which the orders will be charged.

- (b) Orders shall bear at the top a clause as follows:

"Clear through (transit number of bank and name of branch)" indicating the bank and branch that granted the clearing privilege and to which the orders will be cleared by negotiating banks, but orders shall not bear the name of a bank.

- (2) (a) The credit union shall pay the bank a clearing fee of 5¢ for each order charged to its account plus \$100 annually.

- (b) If the bank is within a clearing house area, the credit union shall also pay the clearing house an annual fee as follows:

At Toronto and Montreal \$300

At Vancouver \$150



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At all other points where there is an established clearing house (i.e. whose members report to the Canadian Bankers' Association monthly debits to individual accounts). \$100

- (3) (a) On each banking day the credit union will take delivery at the bank of orders charged to its account. Orders will be considered as paid, unless returned to the bank by 2.30 p.m. on date of receipt by the credit union.

Exception - An out-of-town credit union may arrange terms with the bank whereby orders charged to its account will be sent to it daily by mail on the understanding that any dishonoured orders will be returned to the bank by mail on date of receipt.

- (b) The credit union will pay the bank a charge of 25¢ with respect to each order which is returned "N.S.F.", or for any other reason which indicates that insufficient funds are available.

- (c) Each order referred to in (b) above shall be stamped as follows by the branch to which it is returned by the credit union:

Pursuant to clearing rules this item may not be cleared again unless certified.

P. 193 The Ontario Co-operative Credit Society, which itself has special clearing house privileges with Chartered banks, sets out the following conditions:

WHEREAS the Credit Union is a shareholder of Co-op Credit and maintains a deposit account with Co-op Credit;

AND WHEREAS the Credit Union desires to provide a checking service for its members whereby any member of the Credit Union having monies on deposit in the Credit Union may draw on the Credit Union bills of exchange (hereinafter called orders) which will be negotiated by the banks in the same manner as cheques are usually negotiated;

At all other points where the same

members remain to the Committee in the
Association, monthly bills to individual
accounts.

(a) (b) (c) (d) (e) (f) (g) (h) (i) (j) (k) (l) (m) (n) (o) (p) (q) (r) (s) (t) (u) (v) (w) (x) (y) (z)

of the bank of account charged to its account. Orders
will be considered as valid, unless returned to the bank
by 1:30 p.m. on date of receipt by the credit union.

Exemption - An institution credit union may arrange, through with the
bank where any order charged to its account will be sent to its bank
by mail on the understanding that any order received there will be
returned to the bank by mail on date of receipt.

(b) The credit union will pay the order a sum of \$1.00 with
respect to each order which is returned to the bank by mail
on any other account where the order is returned to the bank
on the date of receipt.

(c) Bank order returned to the bank on the date of receipt
will be paid by the bank in which it is returned by the bank.

Exemption to the bank on the date of receipt by the bank
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AND WHEREAS the Credit Union has requested Co-op Credit to enter into this agreement for the purpose of providing the said service to its members;

NOW THEREFORE THIS AGREEMENT WITNESSETH that the Parties hereto in consideration of the covenants and agreements herein contained hereby agree each with the other as follows, -

1. Subject to the terms of this agreement, Co-op Credit hereby agrees to accept from its bankers and other credit unions and pay any orders drawn upon the Credit Union.

2. The said orders shall be drawn in a form approved by Co-op Credit.

3. The Credit Union agrees to maintain on deposit at all times with Co-op Credit, to cover orders presented to Co-op Credit for payment, an amount equal to the following (whichever is applicable), -

If the Aggregate Deposits of Members is	Minimum Balance in Current Account	Minimum Balance in Total of C/A & Special Deposit
a) Less than - \$ 10,000	50%	50%
b) \$ 10,000 - \$ 20,000	\$ 5,000	\$5,000
c) \$ 20,000 - \$ 500,000	10%	25%
d) \$500,000 - \$1,000,000	\$50,000	25%
e) Over - \$1,000,000	5%	25%

If the Credit Union is located at a place where Co-op Credit does not maintain a bank account, a portion of such deposit may be kept with a local bank. The Credit Union authorizes Co-op Credit to make transfers from its Special Deposit account to its Current account in multiples of \$1,000 whenever the amount of the credit in the current account falls below the minimum requirement set out above.

4. The Credit Union undertakes and agrees that it will not make any loan or investment if the minimum liquidity requirements set forth in paragraph 3 have not been met, nor if the making of such a loan or investment will reduce the Credit Union's



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deposits with Co-op Credit below the requirements set forth in that paragraph.

5. The Credit Union agrees to forward to Co-op Credit on or before the 10th day of each month a copy of its balance sheet and profit and loss statement prepared as of the end of the preceding month.
6. Each day as orders are obtained from Co-op Credit's bankers and other credit unions they will be debited to the Credit Union's current account with Co-op Credit. Orders that are dishonoured, if returned within the time herein provided, shall be credited to the account.
7. Co-op Credit agrees to forward by mail to the Credit Union each day from Monday to Friday in each week (except Statutory holidays) all orders drawn on the Credit Union received from its bankers and other credit unions on that day.
8. The Credit Union shall return to Co-op Credit on the day of receipt any orders it does not wish to honour. Any orders not returned by the Credit Union on the day of receipt shall be deemed to have been accepted by the Credit Union and shall be a proper charge to the Credit Union's account.
9. In the event there are not sufficient monies standing to the credit of the Credit Union in its current account with Co-op Credit to pay any order, or in the event such funds are sufficient to pay only one or some orders presented for payment on any one banking day but not sufficient to pay all such orders presented for payment on one day, Co-op Credit shall be at liberty to pay one or more such orders as it in its absolute discretion deems fit and may refuse payment of the other orders presented for payment that day. In the event Co-op Credit refuses payment of any order pursuant to this paragraph it shall forthwith advise the Credit Union by telephone if possible and shall confirm such advice in writing.



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10. The Credit Union agrees to indemnify and save harmless Co-op Credit, its successors and assigns, its and their servants and agents from and against all loss, costs, charges, damages and expenses which Co-op Credit, its successors, and assigns or its servants or agents or any of them, may at any time or times hereafter suffer or sustain for or by reason of anything done or omitted to be done pursuant to this agreement including, but not so as to limit the generality of the foregoing, any loss, costs, charges, damages and expenses which Co-op Credit may suffer by reason of any order being paid or payment thereof being refused by Co-op Credit.
11. The Credit Union agrees to pay Co-op Credit the sum of \$
on 19 , and thereafter the sum of
\$100 annually payable in advance on the 1st day of January in each year during the continuation of this agreement, and in addition to pay Co-op Credit the sum of 7 1/2 cents as a handling charge in respect of each order drawn upon it and presented to Co-op Credit for payment pursuant to the terms of this agreement, the said handling charge to be calculated each month as of the last day of the month and debited to the deposit account of the Credit Union with Co-op Credit.
12. The Credit Union agrees to charge each of its members a minimum charge of \$1.00 for each order drawn on itself and received from Co-op Credit which is returned N.S.F. and to pay half of such sum to Co-op Credit.
13. The Credit Union agrees to deposit with Co-op Credit all cheques, government cheques, government and other bonds, bond coupons, and other items clearable through a bank which are negotiated by it for its members, except that, if it is located outside Toronto, the Credit Union may deposit cheques drawn on any local bank or grain or creamery tickets in the bank with which it keeps its local account.



V RELATIONS WITH OTHER FINANCIAL INSTITUTIONS

14. This agreement shall be effective from the day of _____
19 __, and shall continue in force until terminated
by mutual consent of the parties hereto or by either party giving
two months' notice in writing delivered personally or by
registered mail to the other of its desire to terminate the same.
This agreement shall also be terminated if at any time the
chartered banks amend their agreements with Co-op Credit by
Co-op Credit giving written notice of the amendment to the
Credit Union.

P. 194 The main differences noted between the conditions set forth by the
Chartered Banks and the Ontario Co-operative Credit Society are:

1. The charge of 5¢ per order as required by the banks, compared
to 7 1/2¢ per order by the Ontario Co-operative Credit Society.
2. The bank's charge of 25¢ per order for N.S.F. items compared
to \$1.00 by the Ontario Co-operative Credit Society (of which
50¢ is retained by the credit union).
3. The Ontario Co-operative Credit Society requires under most
conditions that, all cheques, government and other bonds, bond
coupons and other items clearable through a bank, be deposited
with them; and requires credit unions to borrow from them such
funds as may be necessary to maintain minimum balances as
required by them, whereas chartered banks require no minimum
balance. We have noted, however, that in some cases the
Ontario Co-operative Credit Society does not enforce the minimum
balance regulation.

P. 195 The clearing house charges made by chartered banks are in some
cases higher than those of the Ontario Co-operative Credit
Society. The individual credit union, after arranging for clearing
privileges with a local bank or the Ontario Co-operative Credit
Society, has cheques printed for their members, who are
required to open separate deposit accounts which are generally

V RELATIONS WITH OTHER FINANCIAL INSTITUTIONS

known as personal chequing accounts. The member can now proceed to write orders against this deposit account in the same manner as a secondary chequing account with a Chartered Bank. Cheques may be certified by the credit union, at the credit union office. Overdrawn accounts are not permitted in a credit union operation as they would constitute unauthorized loans, and in the event of loss, become the responsibility of the Treasurer or Manager of the credit union.

P. 196 Secondary chequing services are not at present provided for under Ontario Provincial Legislation; however, such legislation is expected to be placed before the Provincial Government in the spring of 1962, which legislation would clearly regulate this type of operation.



known as personal training sessions. The manner can be
proceed to write (check against the list and in the

Chapters may be carried by the editor on, as the rights
union office. Overhead and not collected in the
union operation as they were a coalition with other unions
in the event of loss, but the responsibility of the Union
of American in the area of union.

Secondly, scheduling services to not as present; training for
under Ontario Provincial Association; however, such legislation
is expected to be passed before the end of the year. It
the spring of 1964, which legislation would clearly provide
type of operation

VI EARNINGS EXPENSES AND RESERVESSOURCES OF INCOME

P 197

The main source of credit union income is, of course, interest received on loans, because loans to members represent a high proportion of a credit union's assets.

Our 1960 statistics (Appendix 022) show the following sources of income in dollar value and the percentage of total income each represents:

Interest on personal loans	\$14,658,758.	90.2%
Interest on mortgage loans	640,551.	3.9%
Dividends and interest on investments and deposits	501,222.	3.1%
Other income	447,671.	2.8%
	<u>\$16,248,202.</u>	<u>100.0%</u>

"Other income" consists mainly of annual rebates on share and loan insurance.

ALLOCATION OF EXPENSES

P 198

Our 1960 statistics show the allocation of expenses, the dollar value and the percentage of total income that each represents, as follows:

(1) Salaries and Honoraria	\$ 1,717,354.	10.6%
(2) Share and Loan Insurance	1,995,306.	12.3%
(3) Interest on Borrowing	506,757.	3.1%
(4) Interest on Members' Deposits	210,940.	1.3%
(5) Occupancy Costs	245,396.	1.5%
(6) Employee Benefits	48,625.	0.3%
(7) Annual Meetings Expense	105,632.	0.7%
(8) Education Expense	101,129.	0.6%
(9) Office Expense	479,066.	2.9%
(10) Miscellaneous Expense	652,531.	4.0%
	<u>\$ 6,062,736.</u>	<u>37.3%</u>



VI EARNINGS EXPENSES AND RESERVES

P 199 The following expenses, included above, are for services provided to the members by the credit union:

(2) Share and Loan Insurance: This comprises Life Savings and Loan Protection Insurance, provided by Cuna Mutual Insurance Society, as follows:

(a) Share savings life-insured up to a maximum of either \$1,000 or \$2,000. 100% coverage for all monies deposited up to age 55 with decreasing percentages up to age 70, subject to the endorsement attached to Appendix 035.

(b) Members' loans life insured up to a maximum of \$10,000 and up to age 70, and for permanent disability up to age 60. (See Appendix 034)

(7) Annual Meetings Expenses: This is the net cost of the Annual Meetings of the credit unions which is usually either partly or wholly borne by the credit union.

(8) Education Expense: This is a direct expense involved in the education of existing and potential members.

Salaries and Honoraria (1) consist of salaries paid to whole and part-time employees, and honoraria paid to voluntary workers (Treasurers, Directors and committee members). The detailed statistics indicate the varying percentages for the different asset groups.

Interest on Borrowing (3) is, of course, interest on money borrowed from sources outside the individual credit unions.

Interest on Members' Deposits (4) is self-explanatory.

Occupancy Costs (5) consists mainly of rent, light, heat and water, and depreciation on buildings.



VI EARNINGS EXPENSES AND RESERVES

Employee Benefits (6) consists mainly of hospital and sickness benefits, and pension and retirement benefits.

Office Expense (9) includes stationery, forms, postage, and general office supplies, and expenses.

Miscellaneous Expense (10) includes Bonding and Fire Insurance, Depreciation on Furniture and Equipment and Professional Services (Legal and Audit).

RESERVES

P 200 Guarantee Fund - Section 28 (1) of the Credit Unions Act provides that "Every credit union shall set aside at least 20 percent of its yearly net profits as a guarantee fund to meet losses, and the fund shall be held as a reserve against uncollectable loans and losses, but where at the close of any fiscal year the amount set aside for the guarantee fund equals at least 10 per cent of the total amount received from members on deposit and as payment for shares, the directors may, subject to the approval of two-thirds of the members present at the annual meeting, direct that no moneys be set aside for the guarantee fund for the then current year."

P 201 Entrance Fees - Section 28 (3) of the Act provides that entrance fees (usually 25 cents per member) should be added to the Guarantee Fund. This is generally done annually at the fiscal year-end.

P 202 Uncollectable Loans - Section 28 (4) of the Act provides that "Subject to the approval of the board of directors and the supervisory committee, the outstanding principal balance of any uncollectable loan, after crediting to such principal any moneys to the credit of the member on shares and deposits shall be charged to the guarantee fund and no charge shall be made to the guarantee fund for fines or interest on any such loan from the date of the last

VI EARNINGS EXPENSES AND RESERVES

interest payment made by the borrower nor shall the amount standing to the credit of the member on shares or deposits be applied toward payment of fines or interest."

P 203

In assessing the delinquent loan position of a credit union, not only is the amount of the Guarantee Fund considered, but also the amount of Undivided Earnings (or Surplus) and the amount of any unallocated reserves which may exist. It is suggested by the Department of Insurance that the Guarantee Fund, Undivided Earnings and Reserves should be adequate to cover all delinquent loans on which no payment has been received in six months. Where the Guarantee Fund, etc. is not adequate, the credit union is encouraged by the Department of Insurance and by this League, to make strenuous efforts to reduce delinquency, and also, if necessary, to allocate more than the required 20% from net profits to the Guarantee Fund.

Accounting Procedures - The Guarantee Fund is credited at the end of the credit union's fiscal year with the statutory 20% of net profits. At any time during the year, when the write-off of a loan or loans has been approved as required under Section 28 (4) of the Credit Unions Act (quoted in paragraph 202 above) and any shares or deposits standing to the members' credit have been credited to such loan or loans, a journal entry is put through the books debiting the Guarantee Fund and crediting Members' Loans in the amount of the total write-off.

P 204

There is no practice among credit unions of writing down members' loans because of doubtful loans.

P 205

Other Reserves - Frequently following distribution of profits after allocation to the Guarantee Fund, by way of dividend on shares and rebate on loan interest paid, there is a balance left in the Undivided Earnings account. An increasing number of credit unions are



VI EARNINGS EXPENSES AND RESERVES

making a practice of building this account up as a reserve fund, sometimes transferring amounts from Undivided Earnings to a Contingency or General Reserve. Such reserves would be available for future use as the membership might determine.

P 206

Depreciation - Generally assets such as Furniture and Equipment and Buildings are written down annually by way of depreciation, either on the straight-line basis (e.g. 10% of cost) or on the diminishing balance basis (e.g. 10% of the written-down value at previous year-end plus additions and less disposals.) Sometimes a credit union will write its Furniture and Equipment down to \$1.00, showing that figure in the Balance Sheet every year, and writing off any new purchases as acquired.



VII VIEWS ON THE CAPITAL MARKET

P. 207 This League does not feel that this section is relevant to its field of operations, and understands that the subject will be dealt with in the Credit Union National Association Brief, and also in ample fashion for the Province of Ontario in the brief to be submitted by the Ontario Government.



VIII STATISTICAL INFORMATION

INTRODUCTION

P. 208 Only recently have comprehensive statistics of member credit unions been compiled by this League. The statistics presented in the Brief as "Our 1960 Statistics" (See Appendix 022) were compiled from 1,027 Annual Reports for 1960 supplied by member credit unions. Of those credit unions not reporting, some would have been inactive, some in the process of dissolution, some under suspension by the Department of Insurance, some recently incorporated and not having completed one year's operation, and some just failing to report. Regarding this last category, it should be remembered that membership in the League is voluntary, and the League has no jurisdiction over member credit unions.

P. 209 Statistics for all active Ontario credit unions and Caisses Populaires are no doubt obtainable from the Credit Unions Branch of the Department of Insurance.

P. 210 It has not been practicable in the time available to distinguish in our statistics between rural and urban credit unions.

P. 211 Relevant financial and statistical information for League Central will be found in Appendices 023 to 026.

VIII STATISTICAL INFORMATION

P. 212

Size Distribution and Membership

<u>Size of Assets</u>	<u>No. of Credit Unions</u>	<u>Total Member -ship</u>	<u>Total Assets</u>	<u>% of Assets in</u> *	
				<u>Invest -ments</u>	<u>Loans & Mortgages</u>
1) Under \$500,000	959	242,282	\$82,350,614	7.4	86
2) \$500,000 - \$1,000,000	39	46,396	27,215,896	6.8	88
3) \$1,000,000 - \$5,000,000	27	81,363	48,230,769	8.5	85
4) \$5,000,000 - and over	2	20,470	18,779,850	7.5	87
5) Sub-total 1-4	<u>1,027</u>	<u>390,511</u>	<u>\$176,577,129</u>	7.6	86

Since the majority of the credit unions are in the asset class of under \$500,000, we give below a breakdown of this class into three sub-classes:

a) Up to \$50,000	508	60,565	\$11,767,754	5.9	85
b) \$50,000 - \$150,000	38	72,060	23,499,120	7.6	85
c) \$150,000 - \$500,000	413	109,657	47,083,740	7.7	87
d) Sub-total a, b, c.	<u>959</u>	<u>242,282</u>	<u>\$82,350,614</u>	7.4	86

* Includes Deposits and Shares of Ontario Credit Union League and Ontario Co-operative Credit Society.

VIII STATISTICAL INFORMATION

P. 213

Balance Sheet and Statement of OperationsBALANCE SHEETASSETS

Cash in hand and at Bank	\$8,168,554.	
Deposits and shares - Ontario Credit Union League	5,754,934.	
Deposits and shares - Ontario Co-operative Credit Society	<u>2,610,591.</u>	\$16,534,079.
Investments:		
Government and Government Guaranteed Bonds	3,705,552.	
Other	<u>1,495,038.</u>	5,200,590.
Loans, personal	139,409,294.	
Loans, mortgages	13,051,479.	
Loans, other	<u>312,870.</u>	152,773,643.
Fixed assets:		
Land, Buildings (net)	882,476.	
Furniture and Equipment (net)	<u>915,844.</u>	1,798,320.
Other assets		<u>270,497.</u>
<u>Total Assets</u>		<u>\$176,577,129.</u>

VIII STATISTICAL INFORMATIONP. 213 Balance Sheet and Statement of Operations (Cont'd)BALANCE SHEETLIABILITIES

Members' shares	\$140,760,028.	
Members' Deposits	<u>10,742,501.</u>	\$151,502,529.
Loans from:		
Ontario Credit Union League	5,299,295.	
Ontario Co-operative Credit Society	1,632,097.	
Chartered Banks, etc.	<u>842,337.</u>	7,773,729.
Undivided Earnings		9,671,355.
Guarantee Fund (Reserve for Bad Debts)		6,647,061.
Other Reserves		553,936.
Education Fund		46,954.
Other Liabilities		<u>381,565.</u>
<u>Total Liabilities</u>		<u>\$176,577,129.</u>

VIII STATISTICAL INFORMATION

P. 214

Balance Sheet and Statement of Operations (Cont'd)STATEMENT OF OPERATIONSEARNINGS:

Interest on personal loans	\$14,658,758.	
Interest on mortgage loans	640,551.	
Investment income(incl. deposit interest)	501,222.	
Other income	<u>447,671.</u>	
Total Earnings		\$16,248,202.

EXPENSES:

Salaries and Honoraria	\$ 1,717,354.	
Share and Loan Insurance	1,995,306.	
Interest on borrowing	506,757.	
Interest on members' deposits	210,940.	
Occupancy costs	245,396.	
Employee benefits	48,625.	
Annual meetings expense	105,632.	
Education expense	101,129.	
Office expense	479,066.	
Miscellaneous expense	<u>652,531.</u>	
Total Expenses		<u>\$ 6,062,736.</u>
NET EARNINGS		<u><u>\$10,185,466.</u></u>

VIII STATISTICAL INFORMATION

Balance Sheet and Statement of Operations (Cont'd)

STATEMENT OF OPERATIONS

Continued

Interest on personal loans	\$14,878,788
Interest on mortgage loans	640,787
Interest on notes (incl. capital)	

Other income	\$17,077
--------------	----------

Total Earnings

Salaries and honoraria	\$1,717,344
Share and loan loss fees	1,625,304
Interest on borrowings	805,757
Interest on investments, dividends	510,940

Other expenses	\$1,717,344
----------------	-------------

Unrealized losses (gains)	\$1,717,344
---------------------------	-------------

Total Expenses

Net Earnings



VIII STATISTICAL INFORMATION

Balance Sheet and Statement of Operations (Cont'd)

P. 215 We cannot supply figures for dividends paid or loan interest rebated, as these are approved at the Annual Meetings by the memberships whereas the above statistics are compiled from annual reports published before the Annual Meetings.

P. 216 The reason why the figure for "Net Earnings" above (\$10,185,466) is more than the "Undivided Earnings" figure (\$9,671,355) on the Balance Sheet (Liabilities) is that the latter figure is made up of amounts brought forward from the previous year plus net earnings of the current year after the 20% statutory allocation to the Guarantee Fund. In other words, part of the \$10,185,466 Net Earnings is in Undivided Earnings on the Balance Sheet, and part is in the Guarantee Fund. Our 1960 statistics do not indicate the detailed changes in Undivided Earnings, Guarantee Funds and Other Reserves during the year.

P. 217 Size Classification of certain Balance Sheet Items

We are unable at this time to supply information under this heading due to the lack of time to obtain the necessary statistics. However, we will be glad to endeavour to obtain the information at a later date, if the Commission so requires.



VII STATISTICAL INFORMATION

Balance Sheet and Statement of Operations (Cont'd)

P. 215

We cannot supply figures for dividend, paid or loan interest repaid as these are reported at the Annual Meetings by the membership. Likewise the above statistics are reported from annual reports furnished before the Annual Meetings.

P. 216

The reason why the figure for "Net Earnings" above (\$10,185,406) is more than the "Undivided Earnings" figure (\$8,611,355) on the Balance Sheet (Exhibit) is that the latter figure is made up of amounts brought forward from the previous year plus net earnings of the current year after the 50% reserve allocated to the General Fund. In other words, of the \$10,185,406 Net Earnings in Undivided Earnings on the Balance Sheet, one part is in the General Fund. Our annual reports do not indicate the detailed changes in Undivided Earnings. General Fund and Other Reserves during the year.

P. 217

Five Classification of certain Statistics (Exhibit Item)

We are unable at this time to supply information on most of the statistics asked for since to obtain the necessary statistics. However, we will be glad to endeavor to obtain the information as a later date, if the Commission so requests.



ROYAL COMMISSION ON BANKING AND FINANCE

B R I E F

Submitted by -

ONTARIO CO-OPERATIVE CREDIT SOCIETY

159 Bay Street,
Toronto 1, Ontario

Ontario Co-operative Credit Society
has retained and authorized

L. W. Mitchell,
Barrister and Solicitor,
Room 804 - 330 Bay Street,
Toronto 1, Ontario,

to present this brief to the Commission.

Ontario Co-operative Credit Society
will appear through counsel but intends to make
available to the Commission at the hearing officers
of Ontario Co-operative Credit Society to answer the
Commission's questions.

ROYAL COMMISSION ON BANKING AND FINANCEB R I E F

of

ONTARIO CO-OPERATIVE CREDIT SOCIETYTABLE OF CONTENTS

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Nethercut & Young

Toronto, Ontario

A795

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SUMMARY OF BRIEF

Presented by

ONTARIO CO-OPERATIVE CREDIT SOCIETY
159 Bay Street,
Toronto 1, Ontario.

to

ROYAL COMMISSION ON BANKING AND FINANCE

PURPOSE OF BRIEF

1. The purpose of this brief is to present to the Commission a description of the structure, practices and operations of Ontario Co-operative Credit Society (hereinafter referred to as the Society) and its relationship to the credit unions in Ontario. Questions of economic theory, opinions, and specific or general recommendations will not be discussed. These will be dealt with in the brief to be presented later by the Canadian Co-operative Credit Society Limited, of which the Society is a member.
2. Although the Society is the largest of the five credit union centrals in Ontario, it does not propose to submit information or make recommendation with respect to credit unions except insofar as is necessary to describe its own operations, leaving it to the credit union leagues and federations to make representation on behalf of their own members.
3. The Society was incorporated in 1949 by a special Act of the Ontario legislature for the purpose of acting as a depository for the idle funds of credit unions and co-operatives and for the purpose of making these funds available for loans to credit unions and co-operative associations.

Presented by
The Royal Commission
on Banking and Finance
Toronto, Ontario

ROYAL COMMISSION ON BANKING AND FINANCE

PURPOSE OF BILL

The purpose of this Bill is to present to the Commission a description of the structure, practices and operations of Ontario Co-operative Credit Societies (hereinafter referred to as the Society) and its relationship to the credit unions in Ontario. Questions of economic theory, politics and specific or general recommendations will not be discussed. This will be dealt with in the Bill as he proposed later by the Canadian Co-operative Credit Society Limited, of which the Society is a member.

Although the Society is the largest of the five credit union entities in Ontario, it does not propose to submit information or make recommendations with respect to credit unions except insofar as it is necessary to describe its own operations, leaving it to the credit union leagues and federations to make representation on behalf of their own

The Society was incorporated in 1949 by a special Act of the Ontario Legislature for the purpose of acting as a repository for the funds of credit unions and co-operatives and for the purpose of making these funds available for loans to credit unions and co-operative associations.



From small beginnings the Society has grown to an organization having total assets on December 31, 1961, of almost \$10,000,000. Its membership includes 476 out of the 1600 credit unions in Ontario, as well as 184 co-operative associations.

STRUCTURE AND ORGANIZATION

4. The Society was established by the Ontario Credit Union League Limited and the Co-operative Union of Ontario and serves credit unions which are members of the Ontario Credit Union League Limited and co-operative corporations which are members of the Co-operative Union of Ontario.

LEGISLATION AND SUPERVISION

5. There are no specific requirements of provincial law regulating the operations of the Society and no provincial supervision of its affairs.
6. Pursuant to section 79 of the Co-operative Credit Associations Act (Canada) the Society was on May 4th, 1956, certified by the Treasury Board of Canada. Upon certification it was granted the powers, privileges and immunities conferred on associations by sections 6, 8 and 10 and became subject to the limitations, liabilities and provisions of Parts II, III and IV of that Act. It also became subject to supervision by the federal Superintendent of Insurance.

LIABILITIES

(a) Deposits

7. The Society accepts deposits from those of



1
2
3 its shareholders who find it advantageous to make
4 deposits with it. These deposits are of three
5 kinds - current accounts, term deposits and three-
month deposits.

6 (b) Shares

- 7 8. The Society has an authorized capital of
8 \$1,000,000 divided into 100,000 shares having a
9 par value of \$10 each. These shares are treated
by the Society as permanent capital and no member
is entitled to withdraw its shares.

10 ASSETS

11 (a) Cash and Liquidity

- 12 9. Under the Co-operative Credit Associations
13 Act, the Society is required to maintain 5% of its
14 deposits in a chartered bank and 15% either in a
15 chartered bank or in certain very limited investments
16 issued or secured by government guarantees. In
practice, these minimum requirements have always been
observed.

17 (b) Investments

- 18 10. When the Society has surplus funds which are
19 not required for loans to its members, these funds
20 are invested in government securities having a
21 relatively short maturity so that they may be readily
disposed of to meet peak loan demands.

22 (c) Loans

- 23 11. With the money obtained from shares and
24 deposits, after setting aside the required amounts
25 for liquidity, the Society makes loans to credit unions
26 and co-operative corporations which are its share-
27 holders. Most credit union loans are for a period of
one year or less and are made for the purpose of
assisting the credit union to meet a seasonal demand



for withdrawals and new loans.

12. The Society also makes loans to co-operative corporations and these vary as to maturity, rates of interest and security. Short term loans are made for the purpose of financing inventory, such as grain or fertilizer. These loans are usually repayable within six months and are often made without security. Other loans with various types of security are made for longer periods of time.

BORROWING

13. The borrowing powers of the Society are limited by the Co-operative Credit Associations Act to ten times its share capital, guarantee fund and surplus, and deposits are considered as borrowings. In practice, the Society has used three different types of borrowing - (a) bank loans, (b) borrowing from its members and others by the sale of debentures, (c) borrowing from the short term money market on short term notes, and (d) borrowing from the Canadian Co-operative Credit Society Limited. Generally, this power to borrow (other than by the sale of debentures) is used seasonally during each year.

GUARANTY RESERVES

14. The Society is required under the Co-operative Credit Associations Act to set up reserves for loans in default and for fluctuations in the value of its investments. As a precaution, the Society, in fact, has sought to increase its reserves over the years beyond the statutory requirements by placing some part of its surplus each year in reserve, depending in amount upon the total earnings for the year.



CHEQUING SERVICES

15. In areas of the province where there is sufficient demand for it, the Society provides a chequing service for its members. This service is of two kinds, - known as primary chequing and secondary chequing. The primary chequing service consists of arrangements whereby members of the Society (credit unions and co-operatives) carrying their current account with the Society, may issue orders on one of the Society's accounts in a chartered bank. The secondary chequing consists of arrangements whereby members of the credit union which has its current account with the Society, may issue orders against their credit union accounts which orders, by arrangement between the Society and the Canadian Bankers Association, are cleared through the clearing house in the Society's name and through the Society to the credit union concerned.

16. Although the Society, pursuant to these arrangements, is required to maintain certain floats with the banks and pay charges for cash and the items of credit unions and the Society to the bank, there is no reciprocal compensation to the Society for bank items or government cheques handled by the Society drawn on the banks or the Treasury.

17. The Society feels that in the present clearing house arrangements, the banks have a tremendous advantage in their bargaining position with the absolute control of the clearing house. However, it expects that the brief submitted by the Canadian Co-operative Credit Society Limited will



1
2
3 discuss this matter more fully and may make
4 recommendations for improvements. As the
5 Society will have a part in expressing opinions
6 and recommendations in that brief, it reserves
any further comment at this time.

7 RELATIONS WITH OTHER
8 FINANCIAL INSTITUTIONS

9 18. The Society feels it has had excellent
10 relations with the chartered banks, its only
11 reservation being in the matter of clearing
12 house privileges hereinbefore referred to. It
has also had excellent relations with security
dealers and has benefited from their advice and
guidance.

13 RESPONSE TO
14 MONETARY CHANGES

15 19. For reasons stated in the brief, the
16 Society is sensitive to bank interest rates.
17 Because a large proportion of the credit unions
18 in the province keep their idle money on deposit
19 with it (thus making the Society the chief investor
20 of credit union funds in the province), and because
21 of its dependency on the chartered banks and short
22 term money market for borrowing, the Society is
23 also sensitive to changes in monetary policy. It
24 is affected by both bank interest rates and lending
25 policies on the one hand, and by changes in the
26 market value and rate of return on short term gov-
27 ernment securities on the other. As the holder of
28 a large proportion of the funds of credit unions,
29 its investments are limited in practice to short
30 term government or government guaranteed securities.
Further, under the Co-operative Credit Associations



Act the Society must value its securities at market value (not cost) as fixed by the Superintendent of Insurance before payment of dividends.

ENCOURAGEMENT OF
SOUND PRACTICES

20. Although the Society has no formal control over credit unions in the province, it encourages them to adopt sound practices because in the final analysis the soundness and financial stability of the Society depends to a large extent on the soundness and financial stability of its customers.

21. As an example of the encouragement of sound practices, the Society has always encouraged credit unions to maintain a portion of their shares and deposits in liquid form although there is no statutory requirement that this be done. In connection with chequing credit unions, the Society has by contract required such credit unions to maintain a portion of their deposits liquid.

22. In making loans to credit unions the Society has never allowed them to borrow a larger proportion of their share, deposits and surplus than is permissible by statute, and in periods of 'tight money' has encouraged them to borrow less than the maximum permissible amount.

CONCLUSIONS

23. The Society believes that it has been a strong contributing factor to the financial soundness and sound practices of credit unions in Ontario and it is important that it continue to add stability



Nethercut & Young

Toronto, Ontario

A803

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4 to these institutions. It submits that the
5 Commission should concur in this finding and
6 trusts that the recommendations, if any, of
7 the Commission. touching upon credit unions,
8 will give proper recognition to the role
9 which the Society plays and to its continued
10 development.
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B R I E F

Presented by -

ONTARIO CO-OPERATIVE CREDIT SOCIETY

159 Bay Street,
Toronto 1, Ontario

to

ROYAL COMMISSION ON BANKING AND FINANCE

I. PURPOSE OF BRIEF -

1. The purpose of this brief is to present to the Commission a description of the structure, practices and operation of Ontario Co-operative Credit Society (hereinafter called the Society) and its relationship to the credit unions in Ontario. Questions of economic theory, opinions, and specific or general recommendations will not be discussed at this time. These will, however, be dealt with in the brief to be presented later to the Commission by the Canadian Co-operative Credit Society Limited, of which the Society is a member.
2. Although the Society is the largest of the 5 credit union centrals in Ontario, it does not propose to submit information or make recommendations respecting credit unions except insofar as is necessary to describe its own operations, leaving it to the credit union leagues and federations to make representations on their behalf. The largest of these is the Ontario Credit Union League Limited with about 1350 credit unions as members. The other three leagues are federations of French speaking credit unions or 'caisses populaires'.
3. Each league or federation operates its own credit union for its own members. The Society, on



the other hand, was established by the Ontario Credit Union League Limited and the Co-operative Union of Ontario and serves credit unions which are members of the Ontario Credit Union League Limited and co-operative corporations which are members of the Co-operative Union of Ontario.

II. STRUCTURE, ORGANIZATION and MANAGEMENT -

4. The Society was incorporated by special Act of the Ontario Legislature on April 1, 1949, for the purpose of (a) receiving money on deposit from its shareholders, and (b) making loans to its shareholders. The authorized capital was \$1,000,000 divided into 100,000 shares with a par value of \$10.00 each. The Act provided that shares should be sold to, owned or held only by (a) credit unions, (b) co-operative corporations, and (c) certain charitable and non-profit corporations. (See Exhibit 1 for a copy of the Act).
5. By by-law the sale, ownership and allotment of shares has been further restricted in that they may be sold, allotted to or held only by, -
 - (a) credit unions which are members of the Ontario Credit Union League Limited;
 - (b) corporations or federations which are members of the Co-operative Union of Ontario, or the Co-operative Medical Services Federation of Ontario;
 - (c) The Co-operative Union of Canada;
 - (d) The Co-operative Union of Ontario;
 - (e) such other national interprovincial or international organizations as, in the opinion of the directors of the Society, are co-operative in their nature; and
 - (f) corporations, no part of the income of which is payable to or otherwise benefits personally any shareholder or member thereof.

The by-laws further provide (sections 1 and 2 of Article VI) that if any credit union holding



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3 shares in the Society ceases to be a member of the
4 Ontario Credit Union League Limited or any co-oper-
5 ative holding shares in the Society ceases to be a
6 member of the Co-operative Union of Ontario, or the
7 Co-operative Medical Services Federation of Ontario,
8 it shall not be entitled to the benefit of any of the
9 services of the Society. (See Exhibit 2 for a copy
10 of the by-laws).

11 6. Although membership in the Society is
12 voluntary, as of December 31st, 1961, 476 credit unions
13 out of approximately 1350, which are members of the
14 Ontario Credit Union League Limited, were members of
15 the Society, as well as 184 co-operative corporations.
16 These organizations owned 84,397 shares and had paid
17 thereon the full purchase price of \$843,970.00.

18 7. At the present time a Bill is pending before
19 the Ontario Legislature to increase the authorized
20 capital to \$3,000,000 by creating 200,000 additional
21 shares with a par value of \$10.00 each.

22 8. The Society is governed by a Board of 9
23 directors elected by the shareholders in annual meeting
24 on the familiar co-operative basis of one vote by each
25 shareholder regardless of the number of shares owned
26 by it. In order to provide continuity the directors
27 are elected on a three year rotating basis. The
28 directors appoint a president, a vice-president, a
29 secretary, a treasurer and a manager. At the present
30 time the same person holds the positions of secretary,
treasurer and manager, and as manager is responsible
to the Board for all the operations of the Society. On
the recommendation of the Manager the Board also
appoints the managers of the Accounting, Loan and
Member Services Departments. All other personnel are



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3 employed by the Manager. Annexed hereto as Exhibit
4 3 is a statement showing the personnel of the Board
5 and staff, and some relevant information about each
6 of them.

7 9. The by-laws of the Society provide for a
8 Credit Committee to approve all loans. The Credit
9 Committee consists of five persons, who serve for a
10 one year term, and is made up as follows, -

- 11 (a) The President and Treasurer of the Society,
12 ex officio;
13 (b) One person elected annually by and from the
14 directors; and
15 (c) Two persons who may or may not be directors
16 elected by the shareholders at each annual
17 meeting of the Society.

18 The Credit Committee elects its own Chair-
19 man and fixes its own meeting times. It is required
20 by the by-laws to submit to each meeting of the Board
21 of Directors a report of all proceedings and actions
22 taken by it since the preceding board meeting. At
23 least a majority of the Committee must be present
24 when any loan is considered and every loan must have
25 the unanimous approval of every member who is present.
26 For a number of years the Committee has met regularly
27 once a week for the purpose of approving loan applic-
28 ations.

29 The Credit Committee has the general super-
30 vision of all loans and, subject to any general order
of the directors and the provisions of any relevant
statute, fixes the amount of and the rate of interest
on loans, the security required, if any, and the terms
of repayment.

31 10. As credit unions in the province have sub-
32 stantially increased their assets since the Society
33 was incorporated in 1949, and as more and more of these
34 credit unions have become members of the Society and
35

and used by the Manager. Attached hereto as Exhibit 3 is a statement showing the personnel of the Board and staff, and some relevant information about each.

The by-laws of the Society provide for a Credit Committee to approve all loans. This Credit Committee consists of five persons, who serve for a one year term, and is made up as follows:

- (a) The President and Treasurer of the Society, ex officio;
- (b) One person elected annually, by and from the directors;
- (c) Two persons who may or may not be directors, elected by the shareholders at each annual meeting of the Society.

The Credit Committee has elected its own Chair- man and takes its own acting times. It is required by the by-laws to submit to each meeting of the Board of Directors a report of its proceedings and actions taken by it since the preceding board meeting. At least a majority of the Committee must be present when any loan is considered and every loan must have the unanimous approval of every member who is present. For a number of years the Credit Committee has not regularly met for the purpose of approving loans, and once a week for the purpose of approving loans, and so on.

The Credit Committee has the general supervision of all loans made, and has no authority to refuse to make loans and the provision of any relevant interest. It fixes the amount of and the rate of interest on loans, the security required, if any, and the terms of repayment.

As stated above in the two cases have been substantially increased since the year 1929, and the incorporation in 1929, and as more and more of the credit unions have become members of the Society and



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3 begun using its services, the Society has grown
4 from a very small beginning to its present size.
5 (See Exhibit 4).

6 11. Annexed hereto as Exhibit 5 is the annual
7 report of the Society to its shareholders for the
8 year ended December 31, 1961. This contains an
9 audited statement of the Society's affairs as of
10 that date.

11 12. At its annual meetings, in addition to
12 consideration of the annual reports, the Society
13 always makes provision for time to be spent by the
14 delegates either in instruction by some qualified
15 person, or in discussion groups upon matters of
16 general concern to the Society or the credit union
17 movement, or upon some particular practices or
18 policies of the Society upon which the directors
19 desire to know the delegates' thinking.

20 13. The Society freely uses the services and
21 advice of its auditors, legal counsel and investment
22 brokers as required.

23 III. LEGISLATION AND SUPERVISION

24 14. There are no specific requirements of pro-
25 vincial law regulating the operations of the Society
26 and no provincial supervision of its affairs.

27 15. Pursuant to section 79 of the Co-operative
28 Credit Associations Act (Canada), the Society was on
29 May 4th, 1956, certified by the Treasury Board of
30 Canada. Upon certification it was granted the powers,
privileges and immunities conferred on associations
by sections 6, 8 and 10 and became subject to the
limitations, liabilities and provisions of Parts II,
III and IV of that Act.

16. A brief analysis of the effect of the



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3 Canadian Act upon the Society may be helpful to
4 the Commission. This is set out in Exhibit 6
5 hereto which is a copy of a memo prepared for the
6 use of the Society's directors at the time of
7 certification. Perhaps it may be sufficient in
8 the body of this brief to point out some of the
9 more important restrictions. The Society is
10 limited to dealing with members only; its borrow-
11 ing power is limited and deposits are treated as
12 borrowings; the building of an adequate reserve for
13 bad debts is required, as well as a reserve for
14 investment fluctuation; loans in default must be
15 written down according to a specific formula before
16 calculation of income; and the Society's liquidity
17 is carefully regulated and controlled.

17. Upon certification the Society also became
18 subject to the careful supervision of the Superintend-
19 ent of Insurance for Canada, whose staff periodically
20 inspects its operations and with whom extensive annual
21 reports must be filed. The result of the Superintend-
22 ent's last inspection is shown in the correspondence
23 with the Society shown as Exhibit 7 hereto.

18. The Co-operative Credit Associations Act
21 also requires the Society to appoint a qualified
22 auditor each year, and, like the legislation affecting
23 banks, requires that the auditor may not serve as
24 auditor for more than two consecutive years. As well
25 as reviewing the Society's operations and making the
26 statutory report to shareholders, the auditor is
27 required by section 54, sub-section (3) to furnish
28 the Superintendent with considerably more information
29 than is usually required of an auditor.
30

Canadian Act upon the Society may be helpful to the Commission. This is set out in Exhibit 6 hereto which is a copy of a memo prepared for the use of the Society's directors at the time of certification. Perhaps it may be sufficient in the body of this brief to point out some of the more important weaknesses. The Society is limited to dealing with members only, its borrowing power is limited and operating expenses are enormous; the volume of its aggregate reserves has had little or no effect on its balance sheet; investment management; loans in default; and its written down according to a schedule for the purpose of calculation of income; and the Society's liquidity is seriously restricted and controlled.

Upon certification the Society also became subject to the general supervision of the Superintendent of Insurance for Canada. There are a number of inspectors who examine and report on the affairs of the Society. The result of the Superintendent's last inspection is shown in the correspondence with the Society shown as Exhibit 7 hereto.

The Superintendent's last inspection was also required the Society to appoint a qualified auditor each year, and, like the legislation otherwise passed, requires that the auditor may not serve as auditor for more than two consecutive years. As well as reviewing the Society's operations and making an statutory report to shareholders, the auditor is required by section 62, subsection (2) to furnish the Superintendent with verifiably true information. There is usually a requirement of an auditor.



IV. LIABILITIES

(a) Deposits

19. The Society accepts deposits from those of its shareholders who find it advantageous to make deposits with it. These deposits are of three kinds - current accounts, term deposits and three-month deposits.

20. Current accounts are withdrawable by cheque issued by the member on its account with the Society. Up until June 30, 1959, interest was paid on current accounts at the rate of 2% per annum on the minimum quarterly balance but since that date no interest has been paid on these accounts.

21. Term deposits are deposits which it is not expected will be withdrawn as quickly as deposits in current accounts although they are withdrawable at any time upon application to the Society. The interest rate has varied from time to time and is currently being paid at the rate of 3½% per annum on the minimum monthly balance.

22. During periods of peak loan demand the Society has also accepted 3 month deposits at a rate of interest that has varied with the prevailing rate being paid on short term money. The present rate is 4% per annum.

(b) Shares

23. The authorized capital of the Society is fixed by its Act of Incorporation at \$1,000,000 divided into 100,000 shares having a par value of \$10.00 each. There is only one class of shares and there are no special privileges or responsibilities attached to such shares. As of December 31st, 1961,



84,397 shares have been issued and are all outstanding. Shares are treated by the Society as permanent capital and no member is entitled to withdraw his shares although under certain circumstances the Society has a limited right to redeem the shares as provided in section 135 of The Corporations Act. To date this provision has not been used and in the relatively few cases where shareholders have requested the redemption of their shares, such shares have been transferred to other corporations wishing to purchase shares of the Society. Since 1953 the dividend on shares has never been less than 4% per annum, thus qualifying the Society's shares as eligible investments for insurance companies under the Canadian and British Insurance Companies Act and The Corporations Act (Ontario), for credit unions under the Credit Unions Act (Ontario), and for medical co-operatives under the Prepaid Hospital and Medical Services Act. In 1958 and 1961 dividends were paid at the rate of 5% per annum.

V. ASSETS

(a) Cash and Liquidity

24. Under the Co-operative Credit Associations Act, the Society is required to maintain 5% of its deposits in a chartered bank and 15% either in a chartered bank or in certain very limited investments issued or secured by the guarantee of governments. In practice, because of the large number of accounts necessary, the amount kept in chartered banks has been considerably higher than 5% of the Society's deposits.
25. It will be observed that the Act requires the Society to write off expenditures each year which might otherwise be amortized, and also requires that securities be valued at market price. Because of this the Society is sensitive to changes in the value of government securities and any dealings therein by



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2
3 the Bank of Canada or the chartered banks in
4 effecting changes in the monetary policy of
5 Canada.

6 26. Unless the liquidity reserves are maint-
7 ained as required by The Canadian Act, the Society
8 is prohibited from making any loans.

9 27. The Society has always observed these
10 requirements in making loans. Exhibit 8 is a state-
11 ment showing the liquidity requirements of the
12 Society on December 31st in each of the years 1956-
13 1961 and the extent to which the requirements were
14 met.

15 (b) Investments

16 28. When the Society has surplus funds which
17 are not required for loans to its members, these funds
18 are invested in government securities. These usually
19 have a shorter term than securities required for
20 liquidity and as far as possible securities are
21 purchased which mature at the time of year which
22 co-incides with the Society's peak loan demand.
23 Exhibit 9 is a list showing particulars of the secur-
24 ities held by the Society on December 31st, 1961.

25 29. The only securities which the Society is
26 authorized to purchase other than in special circum-
27 stances permitted by section 8 (1) (e) of the Act,
28 are government securities, municipal securities and
29 school securities as defined in section 43 of the Act.

30 30. The Directors of the Society have set up an
Investment Committee composed of the president, vice-
president and manager and responsibility for the sale
and purchase of securities is vested in this Committee.
The Committee reports to the Board and any purchases
or sales of securities between Board meetings are
ratified by the Board when it adopts the report of
the Investment Committee.

a bank of Canada or the chartered bank in
effecting changes in the monetary policy of

It is the duty of the bank to maintain the currency
as required by the Bank Act, and the Bank
is prohibited from making any loans.

The Bank has always observed these

requirements in making loans. Exhibit 5 is a state-
ment showing the liability of the Bank to the
Government on December 31, 1931, in respect of the Bank's
liability and the extent to which the Bank's assets were

not

available

when the Bank was required to do so.

are not required to do so. The Bank's assets were
not invested in Government securities. These assets
were a loan to the Government, and the Bank's
liability to the Government was not a loan. The
Bank's assets were not a loan to the Government,
and the Bank's liability to the Government was not a loan.

Exhibit 6 is a statement of the Bank's
liability to the Government on December 31, 1931.
The only asset of the Bank is the Government's

liability to the Bank. The Bank's liability to the
Government is not a loan. The Bank's liability to the
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The Bank's liability to the Government is not a loan.



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3 31. The relationship between the Society and
4 security dealers is extremely satisfactory and all
5 sales and purchases of securities are made through
6 recognized security dealers.

7 32. Securities are carried on the books of the
8 Society at cost price and each year an investment
9 reserve is established equal to the difference between
10 the cost price of the securities and their value as
11 shown on the report of the Superintendent of Insurance
12 if such value is below the cost price to the Society.

13 (c) Loans

14 33. With the money obtained from shares and deposits,
15 after setting aside the required amounts for liquidity,
16 the Society makes loans to credit unions and co-operat-
17 ive corporations which are shareholders. Most credit
18 union loans are for a period of one year or less and
19 are made for the purpose of assisting the credit union
20 to meet a seasonal demand for withdrawals and new
21 loans. They are repayable in monthly instalments to
22 mature within a year. A few loans have been made for
23 a period of two years.

24 34. The Society also makes another type of loan to
25 credit unions, known as a contract loan. Under this
26 procedure the credit union enters into a contract
27 with the Society (a copy of which is shown in Exhibit
28 10) by which the Society credits the account of the
29 credit union with \$1,000 or any multiple thereof to
30 the maximum shown in the contract whenever the account
would otherwise be overdrawn. These loans are repaid
only upon advice from the credit union that the loan
is no longer required. Contract loans are due at the
end of one year but may be renewed upon approval of
the Credit Committee.



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4 35. The Society also makes loans to co-operative
5 corporations and these vary as to their maturity,
6 rate of interest and security. Short term loans
7 are made for the purpose of financing inventory,
8 such as grain or fertilizer. These loans are
9 usually for a period of about six months and are
10 often made without security. Loans for the purchase
11 of trucks are also made and these are usually for a
12 period of two or three years and secured by a chattel
13 mortgage or assignment of the conditional sale
14 contract covering the truck being purchased. A
15 limited amount of money has been used for loans to
16 co-operative corporations for capital expenditures.
17 These usually have a maturity of 5 or 7 years, and
18 in a few cases, 10 years. The security varies. Some-
19 times it is a guarantee of United Co-operatives of
20 Ontario, or an assignment of shares owned by the
21 borrower in that co-operative. At other times it may
22 be a debenture and floating charge on all the assets
23 of the co-operative corporation and this is sometimes
24 collaterally secured by a first or second mortgage
25 of its real estate.
- 26 36. The Society has also established what is known
27 as a Budget Plan for financing consumer durable goods
28 sold by co-operative corporations. This is the usual
29 type of consumer financing whereby the co-operative
30 sells the article in question under a conditional
sale contract which is then assigned to the Society.
(a specimen copy of such a contract is shown as
Exhibit 11).
37. On December 31st, 1961, the amount outstanding
on loans to credit unions and co-operatives and the
maturities thereof were as follows, -



To credit unions, 1 year or less	\$2,380,467	
To credit unions, over 1 year	<u>413,850</u>	
		\$2,794,317
To Co-ops, 1 year or less	\$ 676,996	
To Co-ops, 1 to 5 years	<u>991,954</u>	
To Co-ops, 6 to 10 years	<u>640,117</u>	
		\$2,309,067
		<u>\$5,103,384</u>

38. As the Society is authorized to make loans only to shareholders, and as shares can only be held by corporations, no loans have ever been made to directors.

39. As mentioned earlier, loans are only made upon approval of the Credit Committee.

VI. BORROWING

40. Under section 58 of The Corporations Act (Ontario) R.S.O. 1960, Ch. 71, which by its act of incorporation is made applicable to the Society, the Society has rather broad borrowing powers. In practice, the Society has used three different types of borrowing - (a) bank loans, (b) borrowing from its members and others by the sale of debentures, (c) borrowing from the short term money market through brokers on short term notes, and (d) from the Canadian Co-operative Credit Society Limited. The amount which it may borrow at any time is limited by the Co-operative Credit Associations Act and by the prevailing lending practices of the bank and the cost and availability of short term funds. In practice it does not borrow more than is reasonably required to satisfy its loan demand.

41. The Society's borrowing from the bank has never exceeded \$750,000 and at the present time it has a line of credit with its bank of \$600,000. This money



is used only during periods of peak loan demand and never for longer than is necessary.

42. In 1956 the Society authorized an issue of unsecured debentures having an aggregate principal value of \$2,000,000 and maturing in 5, 10 and 20 years from the date of issue. Debentures maturing in 5 years bore interest at 4% per annum; those maturing in 10 years at 4½% per annum; and those maturing in 20 years at 5% per annum. Following the increase in general interest rates in 1959 the rate of interest on 5 year debentures was increased to 5½% and on June 15th, 1961, was reduced to 5% per annum. At the end of its 1961 fiscal year the total amount of debentures issued and outstanding was \$580,300.

43. Since July, 1960, the Society has from time to time as the need arose borrowed money on the short term money market by issuing short term promissory notes payable on demand, or in 30, 60 or 90 days. These funds were obtained and the notes sold through security brokers. The rate of interest varied and in all cases was determined by the yield on treasury bills and other short term obligations. At the end of 1961 the total amount outstanding on notes of this nature was \$65,000.

VII. GUARANTY RESERVES

(a) For Bad Debts

44. The Co-operative Credit Associations Act, as pointed out above, establishes strict standards for determining delinquency and requires reasonable reserves to provide for bad debts or accounts which might become so. These reserves must, of course, be set up before the payment of dividends. Since incorporation the Society has not written off any loans. On December 31st,



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4 1961, only two loans were more than 6 months in
5 default and a reserve for possible losses on these
6 has been set up as required under the Co-operative
7 Credit Associations Act, (See Exhibit 12). With
8 the present standard of delinquency in that Act,
9 the Commission may be assured that all bad or pot-
entially bad debts have therefore been provided for
in reserves or written off.

10 (b) Investment

11 45. The Society has also been required to set up
12 a reserve against fluctuation in the market value
13 of its securities, so that a drastic drop in bond
prices could affect its ability to pay dividends.

14 (c) Other

15 46. As a precaution, the Society in fact has
16 sought to increase its reserves over the years beyond
17 the statutory requirements by placing some part of
its surplus each year in reserve, depending in amount
upon total earnings for the year.

18 VIII CHEQUING SERVICES

19 47. In areas of the province where there is suffic-
20 ient demand for it, the Society provides a chequing
21 service for its members. This service is of two
22 kinds - known as Primary Chequing and Secondary Cheq-
23 uing. The Primary Chequing service consists of arrange-
24 ments whereby members of the Society (credit unions
25 and co-operatives) carrying their current accounts
26 with the Society, may issue orders on one of the
27 Society's accounts in a chartered bank. Secondary
28 Chequing consists of the arrangements whereby members
29 of a credit union which has its current account with
30 the Society, may issue orders against their credit
union accounts, which orders, by arrangement between



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2 the Society and The Canadian Bankers Association,
3 are cleared through the clearing house in the
4 Society's name and through the Society to the
5 credit union concerned. Annexed hereto as Exhibit
6 13, is a summary of the development and extent of
7 these services, including a history of relations
8 with the chartered banks and The Canadian Bankers
9 Association for handling chequing. Exhibit 14
10 indicates the charges which have been made by the
11 banks since January 1959 for the service and the
12 manner in which the system works.

13 48. It will be observed from the last mentioned
14 exhibit that whereas the Society is required to
15 maintain certain floats with the banks and pay
16 charges for cash and the items of credit unions and
17 the Society to the bank, there is no reciprocal
18 compensation to the Society for bank items or govern-
19 ment cheques handled by the Society drawn on the
20 banks or the Treasury. Exhibit 13, supra, indicates
21 in part the extent to which the Society and credit
22 unions through the Society have handled such items.

23 49. The Society feels that in the present clearing
24 house arrangements the banks have a tremendous advant-
25 age in their bargaining position with the absolute
26 control of the clearing house. However, it expects
27 that the brief submitted by the Canadian Co-operative
28 Credit Society Limited will discuss this matter more
29 fully and may make recommendations for improvements.
30 As the Society will have a part in expressing opinions
and recommendations in that brief, it reserves any
further comment at this time.

IX. RELATIONS WITH OTHER
FINANCIAL INSTITUTIONS

50. In order to comply with the requirements of the
Canadian Bankers Association dealing with the clearing
of orders, it is necessary for the Society to maintain



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3 a current account at the Toronto branch of all the
4 chartered banks and at about 25 other branch banks.
5 Substantial deposits must be kept in all these
6 accounts to take care of any credit union orders
7 that may be drawn on them.

8 51. The Society feels it has had excellent
9 relations with the chartered banks, its only reserv-
10 ation being in the matter of clearing house privil-
11 eges hereinbefore referred to. The Society believes
12 that it is advantageous to the banks to deal with
13 it on behalf of a large number of credit unions
14 rather than the banks dealing with individuals or
15 credit unions. This is particularly so in connection
16 with the clearing of orders and cheques where the
17 Society performs a large part of the work of handling
18 and sorting these items.

19 52. In its dealings in securities and in its
20 borrowing on the short term money market, the
21 Society has dealt with recognized brokers and has
22 benefited from their advice and guidance.

23 53. The Society has also occasionally deposited
24 money with and borrowed from the Canadian Co-operative
25 Credit Society Limited of which it is a shareholder.

26 54. Although the Society is one of 5 central credit
27 unions in Ontario, 3 of these have been organized by
28 leagues or federations of caisses populaires and the
29 Society does not have any financial relations with
30 or compete with these centrals in any way. However,
the Ontario Credit Union League Limited representing
about 1350 credit unions, operates a branch known as
the League Central which competes with the Society
for credit union deposits and loans. There is no
competition as far as dealings with co-operatives are



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3 concerned as the League Central does not admit
4 co-operatives to membership. Neither is there
5 competition with respect to chequing services
6 because the League Central does not provide these
7 services.

8 55. Save as aforesaid, the Society has had no
9 relationship with other financial institutions.

10 X. RESPONSE TO
11 MONETARY CHANGES

12 56. With the exception of one loan from the
13 Canadian Co-operative Credit Society Limited, the
14 Society itself has not borrowed other than from the
15 chartered banks and by the sale of debentures and
16 short term notes. Consequently it has been sensitive
17 to the "tight money" policies when they have been
18 applied by the chartered banks. To raise money by
19 the liquidation of investments at such a time is
20 neither desirable nor economically possible.

21 57. Credit unions which normally do business with
22 the Society have also been sensitive (to a lesser
23 degree) to such tight money policies. As an example
24 of rationing of credit during periods of 'tight money'
25 we quote from a circular letter sent by the Society to
26 its members on August 3, 1960, -

27 "While Co-op Credit even now does not have unlimited
28 resources, it is presently in a position to consider
29 applications from credit unions needing additional
30 funds and not already borrowing up to 25% of their
unimpaired capital. In somewhat arbitrarily setting
this 25% limit during the loan demand peak, we feel
that we can be of greater service to more credit
unions than if we advanced up to the maximum legal
50% normally permitted".

58. The Society's rates of interest are more sensitive
to changes in the bank rate and the market rate on short
term government securities than are rates of its member
credit unions. There are several reasons for this which
might be mentioned;



- (a) Deposits by credit unions in the Society are voluntary. At any time a credit union may elect to deposit its surplus funds in a bank or in another credit union central, or to invest such funds in treasury notes or government bonds;
- (b) Credit unions are free to borrow from a bank and may do so if the Society's lending rate is too far out of line with the available rates at the bank; and
- (c) The Society because of its required liquidity reserves (by statute) and its responsibility to credit unions as the depository of their funds, is bound to keep its loans and investments on a short term basis. It must meet its operating expenses and pay reasonably current rates on deposit monies and dividends on its share capital. These must come out of the narrow margin between what the Society pays for borrowed money (including deposits) and what it receives on loans and on its investments.

59. These factors and others have kept the participating members of the Society sensitive to the cost factor in using the Society's services. In turn they have caused the Society to be sensitive to rate changes, both charged by the bank and payable on short term securities.

60. Because of the foregoing, changes in the monetary policy of Canada, effected through bank rates and rates on government securities, affect the Society's operations and through it tend to affect the operations of its member credit unions.

61. The availability of funds during 'tight money' periods has reflected itself on the credit unions' operations because the Society is one of the main depositories of funds and one of the principal sources of borrowing for credit unions in Ontario.

62. One possible source of funds which has been available to the Society and used by it on one occasion (as mentioned above) is its power to borrow from the Canadian Co-operative Credit Society Limited of which it is a member. Such loans if they exceed 10% of the Canadian Society's assets, must be fully secured by government bonds. Though that organization was



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3 envisaged as an extension of the credit union
4 principle to the pooling of seasonal provincial
5 surpluses on a national basis, unfortunately,
6 however, it is not capable of being fully
7 utilized because of the restrictions in its
8 enabling legislation and is therefore of little
9 value to the Society as a source of borrowing.

63. A compensating factor which must be taken
into account is that Ontario Co-operative Credit
Society is built upon a social philosophy quite
different from any commercial financial institut-
ion. This philosophy it shares with its members.
They are all motivated not by desire to make
excessive profit but by the desire through their
co-operative effort to help their members help
themselves. This common objective and method of
doing business cements the loyalty of a very great
number of credit union members to the use of the
services of credit unions, and of the credit unions
to the use of the Society. Within reasonable limits
this sociological fact offsets to some extent the
automatic operation of theoretical economic law.

64. Whereas credit unions in this province are
sensitive to restrictive monetary policies, they are
not as sensitive to expansive monetary policies.
They are mainly associations of average working
people and tend to be conservative about expansion
of loans until signs of economic recovery reflect
themselves in actual employment. It might be a fair
conclusion that credit unions are a stable influence
in the economy and that their lending practices are
closely related to levels of employment rather than
prospects of profit.



XI. ENCOURAGEMENT OF
SOUND PRACTICES

65. Notwithstanding its secure position the Society has always taken an active interest in the encouragement of sound practices and operations by its member credit unions. While it has no formal control over these, it has an incentive to encourage them because in the final analysis the soundness and financial stability of the Society depends to a large extent on the soundness and financial stability of its customers.

66. Although under present legislation in Ontario credit unions are not required to keep any portion of their shares or deposits in liquid form, the Society has continually stressed the need for credit unions to keep a portion of their funds liquid. As an indication of this, we quote the following paragraph taken from the Annual Report for 1960, -

"Your Board of Directors continues to be concerned about the lack of any liquidity requirements for credit unions in Ontario, but in the absence of any legislation dealing with the matter, it is unable to do anything except in the case of personal checking credit unions using the central clearing arrangements".

In the case of chequing credit unions using the Society's clearing arrangements, the contract between the credit union and the Society provides that the credit union will maintain certain liquidity as a condition of operating the chequing service. (See paragraph 3 of the contract, Exhibit 15).

67. Under the Credit Unions Act (Ontario) credit unions may borrow up to 25% of their shares, deposits and surplus upon a resolution of the directors and may upon approval by the members increase this amount to 50% of shares, deposits and surplus. The



1
2
3 Society's policy in making loans has been never
4 to exceed these amounts and in times of 'tight
5 money' has been to encourage credit unions not
6 to borrow more than 20 or 25% of their shares,
deposits and surplus.

7 XII. CONCLUSIONS

8 68. Ontario Co-operative Credit Society is
9 an instrument of the autonomous credit unions and
10 co-operatives of Ontario created and functioning
11 on a democratic basis. It provides a place in
12 which to pool their funds for temporary deposit
and investment and a place where they may borrow
as the need arises.

13 69. As the depository for the cash balances of
14 many credit unions and co-operatives and their
15 main source of borrowing, it is the real link
16 between these organizations and the chartered
17 banks and investment brokers. Its relationships
18 with its banks have been friendly and responsive
19 to monetary policy. In many respects it has
20 served as an intermediary between the banks and
21 its members to the advantage of both. As the
22 depository of credit union funds the Society has
23 also had the effect of directing the investments
24 of credit unions, channelling them into sound
25 short term securities, and making the credit unions,
26 through the Society, responsive to the monetary
27 policy insofar as the same is regulated by open
28 market transactions of its monetary authority. Its
29 relation to and dependence upon qualified investment
30 brokers in dealing with securities has been demon-
strated.



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4 70. The Society itself is subject to the
5 controls set forth in the Canadian statute
6 and is required to maintain sound reserves
7 both for bad debts and to assure liquidity.
8 It is also subject to the careful supervision
and inspection of the Department of Insurance.

9 71. The Society believes it has been a
10 strong contributing factor to the financial
11 soundness and sound practices of credit unions
12 in Ontario and it is important that it should
continue to add stability to the credit unions
of the province.

13 72. We respectfully submit that this Commission
14 should concur in this finding and we trust that
15 the recommendations, if any, of the Commission
16 touching upon credit unions, will give proper
17 recognition to the role which the Society plays
and to its continued development.

18 All of which is respectfully submitted.

19 ONTARIO CO-OPERATIVE CREDIT SOCIETY
20 159 Bay Street,
21 Toronto 1, Ontario.
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BOARD OF DIRECTORS AND MANAGER

ONTARIO CO-OPERATIVE CREDIT SOCIETY

<u>DIRECTORS</u>	<u>OCCUPATION</u>	<u>EXPERIENCE WITH SOCIETY</u>	<u>RELATED EXPERIENCE</u>
Arthur Briggs	Chief Appraiser - Customs & Excise Branch, Port of Toronto	Director, 11 years Elected President, 1962 Vice-president, 8 years Member of Executive, 1 year	Director and past president of Co-operators Ins. Ass'n. Director, Ontario Credit Union League Limited.
Clifford A. Way	Credit Union Manager	Director, 9 years Elected vice-president, 1962 Member Executive Committee. 7½ years	Manager, John Inglis Employees' Credit Union Limited. President, Toronto and District Credit Union Chapter.
C. F. Stauffer	Farmer	Director, 12 years Elected to Executive Committee 1962	Director and Past President of United Co-operatives of Ontario. Director, Co-operative Union of Ontario. Director and Past President of Co-oper- ators Insurance Ass'n.
Leonard W. Mitchell	Barrister & Solicitor (Senior Partner - Mitchell & Robinson)	Director since incorporation Vice-president 4 years President, 8½ years	Vice-president, Canadian Co-operative Credit Society Limited. Solicitor, Ontario Credit Union League Limited. Co-operative Union of Ontario.
A.H.K. Musgrave	Farmer	Director, 2 years	Director and Past President, United Co-operatives of Ontario. Director, Co-operators Insurance Ass'n. Vice-president, Ontario Federation of Agriculture.

[illegible]

THE PROSECUTION

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Toronto, Ontario

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EXHIBIT 3

<u>DIRECTORS</u>	<u>OCCUPATION</u>	<u>EXPERIENCE WITH SOCIETY</u>	<u>RELATED EXPERIENCE</u>
W. G. Nicholson	Farmer	Director since Incorporation	Director and Past President Co-operative Union of Ont.
J. W. Roy	Credit Union Manager	Director, 6½ years	Manager, Clinton Community Credit Union Limited.
Bruce McOutcheon	Farmer	Director, 2 years	Director and Past President, Co-operative Union of Ont. Director and Vice-president, United Dairy & Poultry Co-op. Limited.
Charles R. Connally	Credit Union Manager	Director - newly elected	Manager, Hepcoe Credit Union Limited. Director and Secretary, Metro Consumers Co-operative.
<u>General Manager</u>			
Joseph M. Best	General Manager	Manager since July 1, 1950	Past President, Ontario Credit Union League Limited. Past President, Co-operative Union of Ontario. Director, The Canadian Co-operative Credit Society Limited.



EXHIBIT 4

ONTARIO CO-OPERATIVE CREDIT SOCIETY

Growth of Assets 1950-1961

Year	How Assets Were Financed				Total Assets as at December 31
	Deposits	Short Term Borrowing	Debtures	New Share Subscriptions	
1950	24,743			18,810	41,526
1951	245,159			11,320	298,020
1952	146,897			16,080	462,659
1953	140,871			30,420	664,370
1954	261,469			32,211	931,552
1955	356,326			21,520	1,342,923
1956	373,573		18,100	35,760	1,775,885
1957	594,702		111,900	51,080	2,568,664
1958	1,415,669		61,000	129,240	4,187,519
1959	328,571	510,000	72,000	143,600	5,239,992
1960	1,305,927	(35,000)	96,800	129,430	6,799,904
1961	2,071,777	(110,000)	220,500	206,490	9,313,462



ONTARIO CO-OPERATIVE CREDIT SOCIETY

LETTER OF CERTIFICATION

On May 4th, 1956, the Treasury Board of Canada passed a Resolution certifying O C C S, thus making it subject to the Co-operative Credit Associations Act (Canada). Copies of this Act have since been obtained and forwarded to all Directors. Some of the requirements of this Act are different than what we have been accustomed to in the past and some minor changes in our operations will be required particularly with reference to investing and lending policies.

As the Act is somewhat difficult to follow we have prepared this synopsis of its provisions insofar as they effect O C C S having in mind that O C C S has already been certified. As this is a synopsis only, the information contained herein is not necessarily complete and in all cases reference should be made to the relevant provisions of the Act.

GENERAL

It will be noted that the Act is divided into four parts. Parts I, II and III apply to associations - of which there is only one in Canada, the C C C S. However, by virtue of section 79 (1) the O C C S became

"a co-operative credit society incorporated by Special Act, and, except as provided in this Part, every such organization is invested with all the powers, privileges and immunities conferred on associations by sections 6, 8 and 10, and is subject to the limitations, liabilities and provisions set forth in Parts II and III and in this Part."

Accordingly, in reading the Act it should be borne in mind that sections 6, 8 and 10 in Part I and all of Part II, III and IV apply to O C C S and the word 'association' used in these sections and Parts applies to O C C S.

PART I (Sections 6, 8 and 10)

Section 6 provides that O C C S shall be a body corporate having all the powers, privileges and immunities set forth in the Act.

Section 8 (1) sets forth the powers and objects of O C C S and section 8 (2) sets forth certain incidental powers.



There are also usual powers except that clause (c) of subsection (1) limits the powers of investment. The Society has power to invest money in bonds, debentures or other securities of or guaranteed by the Government of Canada or any Province or any Municipal Corporation in Canada or in bonds, debentures or other securities of any school corporation in Canada or

"to the extent of not more than 10% of the aggregate of the paid up capital of the Association and the total of money on deposit with the Association, with the approval of at least two-thirds of the full Board of Directors, in any other negotiable securities."

From this it will be seen that only 10% of the capital in deposits of O C C S may be invested in investments other than Government, Municipal or school bonds or debentures and that any such investment must have the affirmative approval of at least six of our Directors.

Clause (b) of subsection (2) also deserves attention. Heretofore, because of a limitation in the objects set forth in our Act of Incorporation, we have been able to accept a mortgage as security for a loan when such mortgage was collateral to some other security such as a promissory note. Now the Society can make these mortgage loans direct without a promissory note in addition to the mortgage security.

Section 10 refers merely to purchasing the business of any other organization or selling the business of the Society to another organization.

PART II

This Part deals mainly with loans and investments, distribution of earnings, the annual statement and the appointment of an auditor.

Sec. 44

The Society shall ~~not make~~ any loan or invest any funds if its cash on hand and on deposit in chartered banks is less than 5% of the total money on deposit with the Society or if the making of such loan or investment would reduce the cash on hand and in banks to less than 5% of the total money on deposit.

The Society shall not make any loan or invest in Government securities, Municipal securities



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2 or school securities if its cash on hand and on deposit in
3 chartered banks together with the market value of its Government
4 securities, etc. (excluding any securities pledged as security
5 by the Society) is less than 20% of the total amount of money
6 on deposit with the Society or if the making of such loan or
investment would reduce such amount to less than 20%.

7 Sec. 46

8 The Society may not lend money to nor invest
9 in the securities of any member if

10 (a) the aggregate of

11 (i) the total amount of loans made to the
12 member less the market value of Govern-
13 ment securities, etc. pledged as security
14 for any such loans, and

15 (ii) the total amount invested by the Society
16 in the securities of the member

17 exceeds 10% of the aggregate of the paid up
18 capital and deposits of O C C S; or

19 (b) the making thereof would increase the first
20 mentioned aggregate to more than 10% of the
21 second mentioned aggregate.

22 NOTE:

23 This section must be read in conjunction with
24 section 84 (3) which provides that if on the effective date of
25 O C C S's certification the loans and investments with respect
26 to any member exceeded 10% of the aggregate of the paid up capital
27 and deposits then, until the amount of loans and investments to
28 the member is reduced to less than 10% of the paid up capital and
29 deposits of O C C S, O C C S shall not lend any money to or
30 make any investments in the securities of that member and sub-
sections (3) and (4) of section 83 are applicable as if the total
amount of loans had been made under the authority of subsection (2)
of section 83.

Sec. 47

This section provides that the aggregate of
the total amount borrowed by O C C S, the total amount on deposit
with O C C S, and all monies of which the repayment of principal
or interest has been guaranteed by O C C S shall not at any time
exceed ten times the aggregate of its paid up capital, the amount
of its Guarantee Fund and the amount of its surplus.

Sec. 48

O C C S shall not invest any of its funds in



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EXHIBIT 6

bonds, debentures or other securities on which payment of principal or interest is in default.

Sec. 49

O C C S shall not either directly or indirectly deal in the buying or selling or bartering of goods, wares or merchandise or engage or be engaged in any trade or business.

Sec. 50

Deals with distribution of earnings.

Sec. 51 and 52

Deal with financial statement.

NOTE: Of interest in these sections are subsections (4) and (5) of section 51 which set forth the requirements for writing down the value of any outstanding loan that is in default as to payment of principal or interest at the time the statement is prepared.

Sec. 53 and 54

Deal with the appointment and the duties of the auditor.

Sec. 55 to 62

These sections set forth the authority of the Superintendent of Insurance with reference to statements and examinations of the Society.

Sec. 64

This authorizes the Superintendent of Insurance to levy an assessment against O C C S each year for the purpose of meeting the expense incurred in the administration of the Act.

Sec. 65

No bearer notes may be issued.

Sec. 66

The Society has a lien on the shares, interest, dividends and deposits of any member for debts due to the Society.

PART III

The sections in this part deal with the liabilities of directors and certain offences and penalties.

PART IV

The sections in Part IV are of immediate interest to O C C S and are as follows:-



EXHIBIT 6

This makes it clear that O C C S has no power to carry on business outside Ontario.

Subsection (1) of this section makes it clear that O C C S has no power to make any investment or deposit otherwise than as authorized by the Act.

Subsection (2) provides that O C C S may with the consent of at least two-thirds of the full Board of Directors make a loan that would be otherwise prohibited under section 46 to any member if the term of the loan does not exceed one year and it is adequately secured.

Subsection (3) provides that where a loan has been made to any member under the authority of subsection (2) or has been authorized the Society shall prepare as at the last day of March, June, September and December in each year and submit to the Superintendent and to its members a statement giving the particulars set forth in clauses (a), (b), (c) and (d).

Subsection (4) provides that the statement referred to above shall be submitted to the Superintendent and to the members of the organization within fifteen days after the day as at which it is prepared.

Sec. 84 (3)

This subsection provides that if on the date of the Treasury Board's certificate the aggregate of loans by the Society to a member and investments by the Society in the member's securities exceeds 10% of the paid up capital and deposits of O C C S then, until the first mentioned aggregate is reduced to less than 10% of the capital and surplus, the Society

- (a) shall not lend any money to or make any investment in the securities of that member; and
- (b) subsections (3) and (4) of section 83 are applicable as though the total amount of loans made to that member had been made under the authority of subsection (2) of that section.



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EXHIBIT 7



DEPARTMENT OF INSURANCE
OTTAWA, CANADA

January 18th, 1962

Mr. J. M. Best,
Manager,
Ontario Co-operative Credit Society,
30 Bloor Street West,
Toronto 5, Ontario.

Dear Mr. Best:-

Re: Annual Statement for 1960

I am glad to see from Mr. Robertson's examination report received some time ago that the above statement was, as usual, very carefully prepared with the result that only two minor changes were necessary, being on pages 9 and 10. I assume that these changes were discussed with you upon completion of the examination and hence I am not mentioning them further now. However, if you would like details, I shall be happy to supply them.

Apart from the foregoing, I have noted a few points in his report that I should like to bring to your attention, as follows:

(1) Budget Loans - A review of the budget loans indicate that either the majority of loans originating with the Cochrane Co-operative are falling in arrears or the Co-operative is slow in remitting payments it has received on the accounts. Perhaps you might let me have your comments on the current position of the loans to this Co-operative.

(2) Investment Ledger - I realize that until recently the holdings of bonds and debentures were relatively few in number but with the expansion in this type of investment Mr. Robertson suggests that a subsidiary investment ledger be established in which a complete record would be maintained for each block of securities, including a full description of the bond or debenture, the dates of maturity, options, details of serial debentures, the rate of interest, interest dates, any



EXHIBIT 7

January 18, 1962

guarantees etc. Space should be provided for the par value and book value separately, also space to record the receipt of interest. I gather that at the present time there is only a master control and brokers' slips are depended upon to provide the essential particulars. However the present system does not, seemingly, provide sufficient information in many cases, particularly in connection with serial debentures and does not provide sufficient control over the collection of interest.

(3) Directors' Meetings - It would seem that at the Directors' meeting held on April 8th, 1961 following the Annual meeting the Manager acted as Chairman for the election of officers. Without intending to cast any reflection whatsoever upon the Manager, there may be a question whether any one not being a Director could properly act as Chairman of a meeting of the Board of Directors. Perhaps this point might be referred to your Society's solicitor for advice in order to eliminate any possibility that business transacted at any such meeting might be held to be invalid.

(4) Dividends, Reserves, Surpluses etc. - I see that dividends on share capital were declared at the rate of 5% per annum on December 1st, 1960, representing an increase of 1% over the former rate, and that the same 5% rate seemingly continued in the year 1961. You will recall some correspondence about dividends in 1959 (see my letter dated May 21st, 1959) when an additional 1% over the usual 4% rate at that time was paid as a "bonus" in 1958 but I had hoped that this increase would not become a permanent feature, at least until the surplus and reserve position of the Society is very much stronger.

It is a pleasure to see the way in which business of the Society is expanding but our concern is that the surplus and reserves should grow at an even faster pace since we believe it is essential that the surplus and reserve position be greatly strengthened as soon as possible. It is true that the situation improved in this respect in 1960 but at the end of that year the Guarantee Fund and the General Reserve were still only about 1% of the Society's share capital, deposits and borrowed money. In our opinion, this is far short of the level that should be maintained and I continue to hope that the payment of dividends will be curtailed until a more satisfactory standard of strength has been achieved. In



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EXHIBIT 7

January 18th, 1962

this connection I would respectfully draw your attention again to the implicit objective in Section 50 of the Co-operative Credit Associations Act which authorizes further additions to the Guarantee Fund to be discontinued when it equals at least 10% of the aggregate of the paid-up capital and the total amount of money on deposit.

I appreciate the continued co-operation of your Society, more particularly when our Examiners are at your office. I understand that the business of the Society has continued to increase rapidly during 1961 so that I am naturally looking forward with much interest to the receipt of the annual statement for that year.

Yours very truly,

K. R. Macgugor

Superintendent of Insurance.



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EXHIBIT 7

February 14th, 1962.

Department of Insurance,
Ottawa, Canada.

Attention: Mr. K. R. MacGregor,
Superintendent of Insurance.

ANNUAL STATEMENT FOR 1960.

Thank you very kindly for your letter of January 18th, 1962 dealing with this subject, Mr. MacGregor. We had hoped to have a reply to you before this time but have only now gathered the necessary data to answer the specific questions you raised in your letter.

(1) Budget Loans - We have asked the Manager of our Loan Department to make a specific review of the Cochrane accounts and his report is attached for your information.

(2) Investment Ledger - We very much appreciate the helpful suggestions your Mr. Robertson made on this subject. We now have established both an investment ledger giving the information you outlined in your letter, and also a more efficient filing system for the bonds in the safety deposit box at the bank.

(3) Directors' Meetings - As you suggested, we raised with our solicitor the question of the propriety of having the Manager act as Chairman at any Board Meeting, and the solicitor's reply is enclosed for future reference.

(4) Dividends, Reserves, Surpluses etc. - We note your comments under this heading, Mr. MacGregor, but we have the impression that our Directors feel one of the best ways to



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EXHIBIT 7

build the strength of the organization is to pay a reasonable dividend on shares in order to attract more capital to the Society. At the Board Meeting of January 18th, 1962 we reported to the Board that "more new share capital (\$206,490) was raised during the past year than throughout the first eight years following incorporation (\$190,160)". There is no doubt, Mr. MacGregor, that nothing near \$206,000 would have been raised during 1961 if something less than a 5% dividend had been paid at the end of 1960. Largely because of the dividend and the expectation of its continuance, credit unions and co-operatives invested more in the Society than ever before, and we were able to raise deposits and other resources by ten times the amount of the new share capital. Accordingly, earnings were higher than ever before, and \$51,551 has been transferred to General Reserve at the end of 1961, in addition to the \$21,914 put in the Guarantee Fund, or a total of \$73,465 compared with only \$36,628 a year ago.

The improved position of the Society at the end of 1961 is reflected in the fact that now the Guarantee Fund and the General Reserve are 1.77% of the share capital, deposits, and borrowed money compared with the 1% of a year ago mentioned in your letter.

We believe it is the opinion of our Directors that our Balance Sheet will be further strengthened not by curtailing dividends but by continuing to pay the 5% to encourage additional investments in our share capital, whereby other resources may be further increased and ultimately still greater reserves built up. (e.g., One credit union last week subscribed to \$50,000 in new shares - - enabling us to take another \$500,000 on deposit.)

Our Annual Statement to be filed with you by the end of this month is now at our Auditors for their confirmation and signature and should be forwarded to you within the next few days. Our Annual Report being presented to the membership meeting on March 3rd, 1962 is now at the printers and as soon as we have received the published copies we shall forward two of them to you immediately.

We do sincerely appreciate your continued interest in the Ontario Co-operative Credit Society. We want you to know, too, Mr. MacGregor, that the constructive criticisms and other suggestions offered by your senior examiner, Mr. Robertson, during his visits with us are very helpful indeed.

Joseph M. Best, General Manager.

/bw
Encl.



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A839

EXHIBIT 7

February 9th, 1962.

MEMO TO: J. M. Best

FROM: C. N. Wilson

CO-OP BUDGET PLAN REMITTANCES, - COCHRANE FARMERS CO-OPERATIVE

We are still having some trouble in getting regular remittances on the Budget Plan from this Co-op. When I visited them in October the excuse that they had no bookkeeper appeared valid but this problem should have been settled by now.

At present they have a total of \$11,033 in budget loans and the arrears are as follows:

30-60 days past due	\$ 235.31	2.13%
60-90 " " "	166.74	1.51%
90 days and over	<u>378.00</u>	3.43%
Total in Arrears	\$ 780.05	

Three of the past due accounts are being repurchased by the Co-op and will result in a reduction of \$11 in each of the first two categories, in one of \$213.00 in the 90-day and over group. The breakdown will then appear as follows:

30-60	\$ 224.31	2.00%
60-90	155.74	1.41%
90 days and over	<u>165.00</u>	1.46%
	\$ 545.05	4.94%

The above figures are below average quality but I do not think there is anything too serious there.



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EXHIBIT 7

MITCHELL & ROBINSON

BARRISTERS, SOLICITORS, ETC.

TELEPHONE EMPIRE 3-4083

SUITE 804, NORTHERN ONTARIO BUILDING
330 BAY STREET

LEONARD W. MITCHELL
GEOFFREY G. ROBINSON

TORONTO 1, CANADA

February
Seventh,
1962.

Ontario Co-operative Credit Society
Room 719,
159 Bay Street,
TORONTO 1, Ontario.

Attention: Mr. Joseph M. Best,
General Manager

Dear Joe:

Re: Chairman for election of
Officers

We acknowledge receipt of your letter of
January 25th with reference to the above matter.

In our opinion, the Superintendent of
Insurance is correct in that there is no authority
for a person other than the President presiding at
a meeting of the Board of Directors if the President
is present. We base this opinion on Article III,
Section 4 of your By-laws which provides, -

"4. The President shall, if present, preside at
all meetings of the shareholders and directors".

As long as the above By-law is in force, we
would recommend that the practice of having someone
other than the President preside at a Meeting of the
Directors for the election of officers should be dis-
continued.

Yours truly,

MITCHELL & ROBINSON

IWM*id

Per: *Leonard W. Mitchell*



Aethercut & Young

Toronto, Ontario

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EXHIBIT 8

Statement Showing Liquidity Requirements for Ontario Co-operative Credit Society
in each of the years 1956-1961 and compliance therewith.

Liquidity	1956	1957	1958	1959	1960	1961.
of Total Deposits by Members	\$ 77,453	\$ 109,074	\$ 179,858	\$ 196,286	\$ 261,582	\$ 365,171
Cash on Hand and on deposits in chartered banks.	169,411	315,996	605,995	722,577	657,759	864,899
of Total Deposits	309,815	436,296	719,430	785,145	1,046,330	1,460,685
Cash on Hand and on deposits in chartered banks plus invest- ments.	\$ 491,234	\$ 625,826	\$ 1,700,781	\$ 1,272,849	\$ 1,422,894	\$ 3,987,856



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EXHIBIT 9

INVESTMENTS					
Description of Security	Maturity Date	Interest Rate	Par Value	Book Value	Market Value
Government of Canada Conversion	Sept. 1/72	4 1/4%	\$50,000.00	\$46,250.00	\$ 48,000.00
" "	Sept. 1/72	4 1/4%	50,000.00	49,750.00	48,000.00
" "	Sept. 1/72	4 1/4%	50,000.00	47,875.00	48,000.00
			150,000.00	143,875.00	144,000.00
Alberta Guaranteed by Government	Aug. 1/66	4 3/4%	50,000.00	49,625.00	49,500.00
Alberta Telephone Commission					
British Columbia Guaranteed by Government	June 15/64	3%	5,000.00	4,687.50	4,800.00
Province of British Columbia	June 1/63	5%	11,000.00	10,952.70	10,890.00
Schools - Williams Lake #27	June 1/63	"	11,000.00	10,952.70	10,890.00
Burnaby #41	June 1/63	"	12,000.00	11,948.40	11,880.00
Kitimat #80	June 1/63	"	18,000.00	17,922.60	17,820.00
Richmond #38	June 1/64	"	12,000.00	11,892.00	11,880.00
Kitimat #80	June 1/64	3 1/4%	5,000.00	4,705.00	4,600.00
Vancouver School Dist. 39	June 1/64	5%	10,000.00	9,900.00	9,800.00
School Dist. 36 Surrey	June 1/65	3 1/4%	5,000.00	4,625.00	4,500.00
Vancouver School Dist. 39	Mar. 15/67	5 1/2%	25,000.00	25,125.00	25,250.00
City of Vancouver	Mar. 18/68	5 1/2%	25,000.00	25,125.00	25,000.00
" "	July 1/63	4%	21,000.00	20,441.40	20,580.00
Campbell River, B.C.	Sept. 15/62/64	5%	50,000.00	49,750.00	50,000.00
British Columbia Power Commission	Sept. 15/64	"	4,000.00	3,980.00	4,000.00
" "	Sept. 1/65	"	250,000.00	250,000.00	252,500.00
British Columbia Electric					
Manitoba	Feb. 15/62	4%	6,000.00	5,955.00	6,000.00
Province of Manitoba	Mar. 16/62/63	"	4,000.00	3,920.00	3,960.00
" "	Mar. 16/62/63	"	15,000.00	14,700.00	14,850.00
" "	June 15/63	3 1/4%	22,500.00	21,656.25	22,275.00
Guaranteed - Manitoba Hydro	Mar. 15/66	5 1/4%	50,000.00	50,000.00	50,500.00
Ontario	June 1/62	4%	1,000.00	986.00	1,030.00
Province of Ontario	Dec. 1/63	4 1/2%	20,000.00	20,000.00	20,800.00
" "					



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EXHIBIT 9

	Maturity Date	Interest Rate	Par Value	Book Value	Market Value
Cities - Ottawa	Oct. 7/62 - 66	5 1/4%	250,000.00	252,725.00	151,500.00)
Port Arthur	Nov. 1/64 - 65	4 1/2%	20,000.00	19,200.00	100,000.00)
" "	Dec. 31/62 - 66	4%	10,000.00	9,670.00	19,600.00
St. Catharines	Dec. 1/62 to 63	5%	24,700.00	24,630.84	9,800.00
" "	Dec. 15/65	3 1/4%	5,000.00	4,537.50	2,700.00
St. Thomas	Sept. 1/62 - 66	5 3/4%	100,000.00	101,350.00	4,750.00
Sarnia	Dec. 1/62 - 66	4 1/4%	10,000.00	9,750.00	102,000.00
" "	Feb. 15/64	4%	20,000.00	19,140.00	9,800.00
Saskatoon	Feb. 15/65	"	19,000.00	17,955.00	19,400.00
Sault Ste. Marie	Nov. 1/63 to 67	5 1/4%	7,000.00	6,853.00	18,430.00
" "	Dec. 1/62	5 1/4%	16,400.00	16,567.28	7,000.00
" "	Mar. /62	6 3/4%	25,000.00	25,000.00	16,400.00
Sudbury	Dec. 1/63	4 3/4%	30,000.00	29,325.00	25,000.00
" "	Sept. 1/64	5 3/4%	20,000.00	19,950.00	29,700.00
" "	Sept. 1/63	5 3/4%	10,000.00	10,095.00	20,200.00
" "	Dec. 1/62	4 3/4%	15,000.00	14,970.00	10,100.00
Toronto, City of	June 2/66	4%	7,000.00	6,580.00	15,000.00
" "	June 2/67	"	7,000.00	6,510.00	6,720.00
Toronto (Metropolitan)	Feb. 1/62	5%	1,000.00	995.00	6,650.00
" "	June 15/63	3 1/2%	10,000.00	9,330.00	1,000.00
" "	Mar. 1/66	5 1/4%	100,000.00	99,600.00	9,800.00
" "	Nov. 1/75	3 3/4%	50,000.00	49,500.00	100,000.00
" "	May 2/75	3 1/2%	50,000.00	46,655.00	43,000.00
" "	Oct. 15/66	5 1/4%	18,000.00	18,000.00	42,500.00
" "	Mar. 1/68	5 1/4%	75,000.00	75,000.00	18,000.00
" "	Mar. 1/67	5 1/4%	75,000.00	75,000.00	75,000.00
" "	Nov. 1/66	5%	50,000.00	49,675.00	75,000.00
" "	Nov. 1/66	"	75,000.00	75,000.00	50,000.00
Winnipeg	Jan. 2/67	5 1/4%	15,000.00	14,737.50	75,000.00
" "	Jan. 3/64 to 65	4 1/2%	32,000.00	32,059.00	15,150.00
" "	Dec. 1/66 - 75	4%	10,000.00	9,828.00	32,320.00
" "	Nov. /62 to 68	5 1/2%	40,000.00	40,000.00	9,100.00
" "	Apr. 1/62 - 66	6%	50,000.00	50,470.00	40,000.00
" "	Apr. 1/63	2 3/4%	6,000.00	5,727.00	50,500.00
" "	Sept. 1/62 to 66	5 1/2%	30,000.00	30,081.00	5,820.00
Towns					30,000.00
Brampton					1,937,020.00
Strathroy					
Brockville					
Townships - York					
Stamford					



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EXHIBIT 9

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Value</u>	<u>Book Value</u>	<u>Market Value</u>
Miscellaneous					
United Co-operatives of Ontario	Sept. /72 to 76	5%	100,000.00	100,000.00	96,000.00
United Dairy & Poultry Co-operative	Sept.30/71	6%	10,000.00	10,000.00	10,000.00
			110,000.00	110,000.00	106,000.00
Dominion			150,000.00	143,875.00	144,000.00
Provincial			1,052,500.00	1,045,255.80	1,050,995.00
Municipalities			1,946,100.00	1,933,826.62	1,937,020.00
			110,000.00	110,000.00	106,000.00
Others			3,258,600.00	3,232,957.2	3,238,015.00



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EXHIBIT 12

Statement Showing Total Loans and Loans in Default
in Relation to Reserves on December 31, 1961.

	<u>Loans Outstanding</u>	<u>Guarantee Fund and Reserves</u>	<u>Loans in Default</u>
December 31, 1961	\$5,103,383.60	\$ 160,895.36	\$ 19,988.69
Percentage of Outstanding Loans	100%	3.12%	.39%
Guarantee Fund and Reserves in relation to Loans in default			8 times

Loans since incorporation \$ 36,428,177.59 100%

Loans in default December 31, 1961.	\$26,651.59		
Less Reserve for possible losses	<u>6,662.90</u>	19,988.69	.05%



MEMORANDUM RESPECTING
DEVELOPMENT AND EXTENT OF CHEQUING SERVICES
OFFERED BY ONTARIO CO-OPERATIVE CREDIT SOCIETY

1. The chequing services provided by the Society fall into two main classifications - primary and secondary. The former concerns cheques and orders drawn on current accounts held in the Society by its members; the latter relates to orders drawn on current accounts held in individual credit unions by their members.

COMMENCEMENT OF PRIMARY CHEQUING SERVICE

2. Current accounts were first provided by the Society in the latter part of 1950 - during its second year of operation. The object was to pool the current accounts of its members for their mutual benefit and to provide convenient facilities for withdrawing such funds. By June 30, 1951, 42 members had current accounts amounting to a total of \$146,499. 1,912 cheques and orders had been cleared and interest of 2% per annum was being paid on the minimum quarterly balance.
3. At this stage, the service was available only to members in Toronto. Operations were conducted through one bank with member organizations withdrawing funds from their accounts by means of orders drawn on the Society, and depositing through any branches of that bank which were located in the Toronto area. The clearing house fee was set at \$100.00 a year, and an additional charge of \$100.00 a year was made by the bank plus 2¢ an item cleared. In the Toronto area, the system remained virtually unchanged until 1959 except that in 1954 clearing house fees were increased to \$300.00 a year and a charge of 2½ cents an item was introduced.



DEVELOPMENT OF BRANCH OPERATIONS

4. In 1954, branch operations were started in London and Sarnia. A master account is held by the Society in the local bank, and this is credited with deposits of cheques and cash which are made by members using the facilities, and debited with cheques drawn by these organizations on the account as authorized by the Society. The bank concerned makes the same service charges and allowances for free balances as it does on other current accounts.

5. Since 1954, the number of branch operations has steadily increased and we now have facilities in 20 locations throughout Ontario.

DEVELOPMENT OF SECONDARY ORDERS OR "PERSONAL CHEQUING"

6. During the year ended June 30, 1955, following a study of operations in Quebec, Saskatchewan and British Columbia, the Society started to provide a Personal Chequing service for its member credit unions. The basic principle is simple. In addition to his share savings, the credit union member maintains a deposit account and from it he can withdraw funds by means of orders drawn on the credit union.

7. At first this operation was conducted through the facilities already established for primary chequing, on payment of \$100.00 to the clearing bank for each credit union adopting the service. The Society is now acting in the capacity of a Central as defined in Schedule "B" of the Canadian Bankers Association's Clearing Regulations which became effective in January 1959. This latter is appended as Exhibit 14 to the brief filed with the Commission. Orders are



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4 settled by the Society at Toronto (The Bank
5 of Canada Settlement Point) with the except-
6 ion that those outside the Toronto clearing
7 area, negotiated locally, are cleared through
8 the credit unions or the Society's local bank
9 account.

10 THE PRESENT SITUATION

11 8. Today the Society is providing a
12 chequing service for 345 member organizations.
13 In 1959, both service charges and interest were
14 eliminated on member accounts as it was found
15 that they tended to cancel each other. Members
16 are advised to transfer funds which are in
17 excess of their current needs and minimum liquid-
18 ity requirements, to interest-bearing term
19 deposits.

20 9. While the service is generally satisfact-
21 ory, the Society considers the present clearing
22 arrangements to be something in the nature of a
23 "stop-gap", rather than a permanent agreement.
24 The present charges are excessive, particularly
25 in view of the considerable amount of work being
26 done by the Society for the banks. A better
27 service could be provided if it were permitted
28 access to clearing facilities on a genuinely
29 reciprocal basis, either as a direct member of
30 the clearing house or under a system similar to
that being used by the Caisses Populaires in
Quebec.

10. The following tabulation shows the way
in which chequing services have grown since they
were started in 1950.



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EXHIBIT 13

ONTARIO CO-OPERATIVE CREDIT SOCIETY

SUMMARY OF GROWTH IN CHEQUING SERVICES

JUNE 1951 - DECEMBER 1961

Fiscal Period ended -	Deposits in Members Current Accounts	No. of Current Accounts	No. of member credit unions using "Personal Chequing"	Orders cleared to credit unions during the period.	Cheques cleared to banks during period
30, 1951	\$ 146,449.	42	--	1,912	--
1952	207,001.	59	--	9,472	--
1953	277,645.	74	--	16,134	--
1954	306,113.	99	--	19,385	--
1955	471,878.	143	2	34,739	--
31, 1955 ***	535,846.	150	5	41,804	--
1956	709,795.	173	15	66,336	--
1957	1,172,054.	240	19	121,287	--
1958	1,939,063.	287	25	298,188 *	--
1959	1,662,698.	302	39	226,940	220,446
1960	2,085,249.	336	55	233,852	300,862
1961	2,698,452.	341	54	296,836	465,321

*** End of Fiscal period changed from June 30th to December 31st.

* Until December 1958, this included all items throughout the Province. Commencing December 1959, it includes Toronto clearings only.



SCHEDULE "B"

CLEARING PRIVILEGES

CREDIT UNIONS (INCLUDING CAISSES POPULAIRES
OUTSIDE THE PROVINCE OF QUEBEC
CENTRALIZED CLEARING PLAN

1. Arrangements may be made between a member union and the Central for the clearing of orders and cheques through the Central in accordance with this schedule (herein called "the centralized clearing plan").

2. This schedule applies to credit unions, including central credit unions, in any province and to caisses populaires outside the Province of Quebec, that permit the issuance of orders on them by their members and are in a centralized clearing plan. If a credit union has not joined a centralized clearing plan Schedule "A" applies.

3. (a) In this schedule, the term "credit union" means any organization referred to in 2 above, "Central" means a central credit union, "member union" means a credit union affiliated with the Central, "branch" means a branch or agency of a bank but does not include a sub branch, "local" means within the local clearing area, and "outside points" means places outside the local clearing area.

(b) "Order" means an order drawn on a credit union. Orders are not cheques as defined in the Bills of Exchange Act.

(c) "Clearing privilege" means the privilege of having orders drawn on a credit union by its members and cheques negotiated by a credit union for its members cleared through the clearing facilities provided by the banks.

Orders on Credit Unions

4. A clearing privilege for orders shall not be granted without the approval of the General Manager of each bank concerned and may be granted only on the terms and

OFFICIAL JOURNAL OF THE CENTRAL BANK OF CANADA

1. Arrangements may be made between a member union and the Central for the clearing of orders and cheques through the Central in accordance with this schedule (hereinafter referred to as the "centralized clearing plan").

2. This schedule applies to orders and cheques, including central credit unions, in any province and its offshore territories outside the Province of Quebec, that permit the clearance of orders on them by their members and are in a centralized clearing plan. If a credit union has not joined a centralized clearing plan schedule "A" applies.

3. (a) In this schedule, the term "credit union" means any organization referred to in 2 above; "centralized clearing plan" means a plan whereby a credit union is affiliated with the Central; "branch" means a branch of a bank but does not include a sub-branch; "local" means within the local clearing area; and "outside clearing area" means places outside the local clearing area.

(b) "Order" means an order drawn on a credit union. Orders are not cheques as defined in the Bank Act.

(c) "Clearing schedule" means the privilege of having orders drawn on a credit union by its members and cleared by a credit union for its members cleared through the clearing facilities provided by the bank.

Clearing on Credit Union

1. A clearing privilege for orders shall not be granted without the approval of the General Manager of the bank concerned and may be granted only on the terms and



conditions stipulated in this schedule.

5. (a) Orders drawn on credit unions shall bear the following marking at the right end of the order in the space above the amount:

(Name of
city)

indicating the clearing point at which settlement will be made for orders negotiated by the banks, but orders shall not bear the name of a bank. Settlement for orders will be made by one Central at the Bank of Canada settlement point indicated below (herein called "the clearing point"):

<u>Orders on Credit Unions in</u>	<u>Clearing Point</u>
British Columbia.....	Vancouver
Alberta.....	Calgary
Saskatchewan.....	Regina
Manitoba.....	Winnipeg
Ontario.....	Toronto
New Brunswick.....	Saint John
Nova Scotia.....	Halifax

6. The Central will conduct with the main branch of each bank at the clearing point a current account to which the orders will be charged. Orders negotiated by banks will be sent to the clearing point.

Exception - At points other than clearing points, orders negotiated locally drawn on a local credit union will be cleared through the local bank with which it conducts an account or with which the Central conducts an account, to which the orders will be charged.

7. The credit union will pay a clearing fee of 5¢ for each order charged to its account with a bank. The clearing fee will be collected by the bank charging the orders to the account.

8. Banks will not grant a par crossing privilege for orders or recognize the par crossings on orders crossed negotiable without charge at the office of a credit union.

9. The credit union will have orders on it printed at its expense on its own paper (not the bank's safety paper.)

Dishonoured Orders

10. (a) On each banking day the Central or member union will take delivery at the bank of orders charged to its



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4 account. The Central will forward the orders without delay to
5 the member unions on which they are drawn. The latter will
6 return to the Central on day of receipt any orders which are
7 unpaid. The Central will return the unpaid orders to the
8 clearing bank not later than 12 noon of the business day
following the day of receipt of the unpaid orders by it.

9 (b) Orders on a member union cleared to it will
10 be considered as paid unless returned to the bank by 2:30 p.m.
on day of receipt by the member union.

11 11. (a) The Central or member union will pay the
12 bank a charge of 25¢ with respect to each order which is re-
turned "N.S.F."

13 (b) Each "N.S.F." order shall be stamped as
14 follows by the branch to which it is returned by the Central or
member union:

15 Pursuant to clearing rules this item may
16 not be cleared again unless certified.

17 Cheques and Other Items Clearable through Banks

18 12. Cheques on banks, government cheques, government
19 and other bonds and coupons and other items clearable through
20 a bank which are negotiated by member unions will not be de-
21 posited in local branches. Such items will be sent to the
Central and deposited in the main branches of the banks. Where-
22 ever possible, the Central will deposit in the main branch of
each bank all cheques on branches of that bank.

23 Exception - At points other than clearing points,
24 cheques negotiated locally drawn on accounts at
local banks and grain or creamery tickets may be
deposited in the local branch with which the credit
union or Central conducts an account.

25 13. For the clearing of cheques and other items
26 deposited by the Central the following rates shall apply:

- 27 (a) Cheques issued by the Government of Canada
or the province in which the branch is
located.....No charge.
- 28 (b) Cheques drawn on accounts at the branch
where they are deposited.....No charge.
- 29 (c) Grain and creamery tickets.....No charge.
- 30



(d) Local clearing items (cheques drawn on or payable at other local branches or banks, including cheques on outside points crossed negotiable without charge locally)..... $2\frac{1}{2}\%$ each after allowing 4 free items for each \$50 of minimum monthly credit balance in the current account.

(e) Cheques on outside points:

Up to \$5,000 each..... 5% each plus $1/10\%$ on daily total.
Over \$5,000 each..... $1/16\%$, min. \$5 on each item.

(f) Coupons.....Regular rates, viz:

Up to \$2,000..... $1/4\%$, min. \$.25 - for coupons of each issuer or debtor.
Over \$2,000..... $1/8\%$, min. \$5.00 - for coupons of each issuer or debtor.

(g) Bonds.....Regular rates

14. (a) Cheques and other items shall be sorted and listed by the Central in the manner most convenient to the bank for purposes of clearing.

(b) Government of Canada cheques shall be endorsed by the Central with a suitable rubber stamp showing the date and the endorsement of both the Central and the clearing bank. Government of Canada coupons shall be cancelled and redeemed Canada Savings Bonds endorsed as required by the Bank of Canada.

(c) The Central shall prepare Government of Canada cheques, coupons and bonds for clearing as required by the Bank of Canada in the same manner as required of bank branches. i.e., card cheques, coupons and redeemed Canada Savings Bonds shall be sorted, listed and enclosed in the appropriate envelopes. The envelopes shall be sealed and shall show on the outside the name of the Central and the total amount of the items enclosed. The Central shall undertake to make good any errors reported by the Bank of Canada and shall pay the clearing bank a fee of \$1.00 for each error to cover the cost of adjusting. It shall also undertake to reimburse



the clearing bank for any items lost in transit between the Bank of Canada local agency and the Bank of Canada, Ottawa, for which the clearing bank is required to reimburse the Bank of Canada.

Accounts of Centrals - Service Charges

15. No service charges will be applied to current accounts of a Central at main branches at a clearing point.

Accounts of Member Unions - Service Charges

16. For the clearing of the following items deposited by a member union the following rates shall apply:

- (a) Cheques drawn on accounts at the branch where they are deposited.....No charge.
- (b) Grain and creamery tickets....No charge.
- (c) Coupons and bonds of a local issuer or debtor, payable at the branch where they are deposited.....No charge.
- (d) Local clearing items (cheques drawn on accounts at other local branches or banks).....2½¢ each as calculated in 17 below.

17. Current accounts of member unions shall in every case be subject to service charges of 10¢ per entry (debit or credit) after allowing one free entry for each \$50 of minimum monthly balance. A record of the number of the following items will be kept by the bank:

Orders charged to the account (whether posted separately or listed and charged in a total)

Local clearing items deposited (see 16(d) above)

and each 4 of these items will be counted as one entry for purposes of applying service charges.

(The effect of the foregoing is a charge of 10¢ per entry, 2½¢ per order and 2½¢ for each local clearing item, after allowing 1 free entry or 4 free orders or 4 free local clearing items for each \$50 of minimum monthly balance.)

18. Where a member union makes deposits in an account in the name of the Central, the account will be subject to the rates in 16 and 17 above.



Supplying of Cash

SUPPLYING OF CASH - AMENDMENT TO SECTION 19 SCHEDULE B

19. (a) Money parcels will not be prepared and despatched to a credit union on instructions of a Central. Currency and coin will only be supplied to credit unions at the branches where their accounts are carried and against cheques on their accounts. The following charges will apply:

Currency - 25¢ per \$1,000)

Coin - 50¢ per 100) plus cost of transportation and insurance

Exceptions

(1) There will be no charge for supplying currency or coin up to a total of \$5,000 currency and \$500 coin in any one month.

(2) There will be no transportation and insurance charge on currency or coin supplied which otherwise would have to be shipped to an outside point as surplus to branch requirements.

(3) At Bank of Canada agency points, the main office of the bank will not make a charge for supplying currency or coin but wherever possible the Central will arrange for a money transport company to take delivery at the Bank of Canada agency upon the order of the bank and will furnish the bank with suitable indemnification against errors.

Transfer of Funds

20. (a) Subject to (b) and (c) below, transfers of funds between accounts of credit unions will be effected by means of mail or telegraphic transfer or by deposit of a cheque or transfer form drawn on a bank (not by deposit of an order or transfer form drawn on a Central or member union.)

(b) Transfers of funds between accounts with banks at the same point will be effected by deposit of a cheque or transfer form certified by the drawee bank.

(c) Transfers of funds from the account of one Central to the account of another Central will be effected by means of mail or telegraphic transfer.

(d) Mail or telegraphic transfers will be subject to the following rates:



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EXHIBIT 14

	\$ 5,000 and under.....	1/10%, min.	\$.50 each	
6	Over \$ 5,000 to \$ 10,000.....	1/16%, min.	\$ 5.00	" Plus cost
	" \$ 10,000 to \$ 25,000.....	1/32%, min.	\$ 6.25	" of message
	" \$ 25,000 to \$ 100,000.....	1/64%, min.	\$ 7.85	" for tele-
7	" \$ 100,000 to \$ 500,000.....	1/100%, min.	\$ 15.65	" graphic
	" \$ 500,000.....	1/200%, min.	\$ 50.00	" transfers.

(e) Transfers of funds by deposit of a cheque or transfer form drawn on a bank (whether crossed negotiable without charge or not) will be subject to the rates for cheques deposited.

Exceptions

21. Far Northern Points - The special rates on transactions with far northern branches shall apply in all cases.



SUMMARY OF A BRIEF ON CANADIAN BANKING
PRESENTED BY MELVIN A. ROWAT TO
THE ROYAL COMMISSION ON BANKING AND FINANCE

1 A summary, like a brief, is of little value unless the statements in it are
2 accurate. I am prepared to substantiate all statements contained herein, using
3 the Bank of Canada Statistical Summary, the Canadian Bank Act and other legal
4 documents for this purpose.

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10 2. The present imperfections in our Canadian money and banking system are of
11 a twofold nature. One concerns the manner in which our money supply comes into
12 existence; the other the lack of relationship between the amount of money in
13 circulation (money times velocity) and the production of our country.

14
15
16
17 3. The Canadian Bank Act should be amended so as the Bank of Canada will
18 become the sole creator of our entire money supply. Our central bank, working
19 in co-ordination with the Federal Government, should regulate our money supply
20 so that the amount of money in circulation is always equal to, and determined by,
21 the desirable and for sale production in our country. These changes would correct
22 our economic problems without further debt and/or taxation.

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25
26 4. Remarks by Graham Towers, when he was governor of the Bank of Canada,
27 revealed two very important aspects of Canadian banking. One, that banks do not
28 lend our deposits. The other that we have authorized the chartered banks to issue
29 a substitute for money.

30
1 5. These remarks bring to mind several pertinent questions directly related
2 to money and banking. What makes up our money supply? Where does it come
3 from? Who or what determines the amount of this supply? If the banks do not
4 lend our deposits what do they lend? How can the banks afford to pay us interest
5 on our deposits they do not lend? When one analyzes the answers to these questions
6 it is apparent that the recommended changes in the Canadian Bank Act would
7 enable the Bank of Canada to be of greater service to the Canadian people.

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11 6. Our money supply is made up of Canadian currency (Bank of Canada
12 notes) plus bank deposits. Approximately 20% of this supply is created



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3 by the Bank of Canada. The remainder is created by the chartered banks. It
4 should be noted that it costs the banks very little to create our money supply.
5 Most of it is nothing more than figures in a book, as is taught in many Canadian
6 schools, created out of thin air. The strange thing is, our money supply constitutes
7 an interest bearing debt against people. Canadians are paying hundreds of millions
8 of dollars yearly interest on borrowed money because of the imperfections in our
9 present Bank Act.

10 Our total money supply is determined by two factors. The willingness of the
11 banks to increase the figures in their books and the willingness of the people to
12 borrow from the banks. There is no direct relationship between our money supply
13 and the production of our country.

14 Banks do not lend our deposits. What they lend is bank credit, which
15 appears as a deposit in the borrower's account without lowering any other deposits
16 and increase our money supply by an equal amount.

17 The privilege granted the chartered banks by the Canadian Bank Act enables
18 them to pay us interest on our deposits and make a consistent profit. The Bank
19 Act enables the chartered banks to create and loan \$1,150.00 for every \$100.00
20 of Canadian currency deposited with them.

21 Bank credit created by the chartered banks can be used to purchase Federal
22 Government bonds and securities. In one given year, because of the action taken
23 by the Bank of Canada, the chartered banks were able to increase their bank
24 credit sufficiently to purchase \$1,300,000,000.00 worth of these securities.

25 The Bank of Canada Statistical Summary verifies the fact that it is impossible
26 for everyone to withdraw their personal savings from the banks at one time. This
27 is a sad state of affairs. Most of our personal savings are nothing more than bank
28 credit loaned to the people at interest. These loans appeared originally as deposits
29 in the borrowers' accounts but, because of business activities, have been transferred
30 from the borrowers' accounts to our savings accounts.

The Canadian Bank Act enables the chartered banks to make a gross
yearly profit of \$66.00 on \$100.00 of Canadian currency deposited with them for
safe keeping.



Nethercut & Young

Toronto, Ontario

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13. The imperfections in our money and banking system are not caused by the chartered banks. Their creation of money and/or bank credit is legal in Canada. It is the composition of the Canadian Bank Act adopted by our Federal Government, which is at fault. However, the Federal Government has the right to create our money supply and regulate the banking system. The Federal Government should progressively bring the chartered banks to operate on 100% cash reserve. This would make the Bank of Canada the sole creator of our entire money supply.

14. When one evaluates the facts pertaining to economics, in section 37, of the accompanying brief, it is readily understandable that the amount of money in circulation (money times velocity) should be equal to, and determined by, the desirable and for sale production of our country.

15. For Canadians to enjoy true democracy, both political and economic, all monies created by the Bank of Canada should be distributed as directly as possible to the Canadian people. The Federal Government could, and should, operate on a pay as you go basis.

16. The commerce of our country, wherever possible, should operate under a competitive free enterprise system, be it private, corporative, or co-operative. When the proposed changes put forth are made, it will be the production of our country which will regulate our money supply. It is nothing more than good national business to have our money supply created by our central bank in direct proportion to our production. These changes would eliminate once and for all, recessions, depressions and inflation in Canada. It would also make money our servant instead of our master.

Respectfully yours,

Melvin A. Rowat,
Elmvale, Ontario.



CANADIAN BANKING

PRESENT IMPERFECTIONS EXPOSED AND WORKABLE CORRECTIONS PRESENTED

1. The present imperfections in our Canadian money and banking system are of a twofold nature. One concerns the manner in which our money supply comes into existence; the other the lack of relationship between the amount of money in circulation (money times velocity) and the production of our country.

2. This brief deals with these imperfections and suggests changes which could and should be made in our banking system. These changes would enable the Federal Government to correct our economic problems without further debt and/or taxation and eliminate once and for all recessions, depressions and inflation in Canada.

3. We, in this country, are fortunate to be living under a form of democracy, where individuals have the opportunity to express their thoughts and present their research on all subjects affecting the management of our country. In presenting my research and suggested corrections in our Canadian Bank Act, I avail myself of this opportunity.

4. As a boy back in the hungry thirties I could never understand why my father, a locomotive engineer willing to do any kind of work, could not get a job. Because he was without work we had insufficient money to purchase the food and clothing which were available. I was told this condition existed because there was a scarcity of money.

5. Shortly thereafter war was declared and the scarcity of money disappeared. There has always been plenty of money for war time purposes, but very often there is no money to alleviate human suffering in peace time. Upon returning to civilian life I continued to ponder the subject of money; WHERE DOES IT COME FROM? WHO OR WHAT DETERMINES ITS SUPPLY? I was determined to learn and I have learned the answers to these questions.

6. In 1954 it was drawn to my attention that BANKS CANNOT AND DO NOT LEND OUR DEPOSITS. When Graham Towers was governor of the Bank of Canada he assured the people that; "The banks cannot, of course, loan the money of their depositors. Now what the depositors do with these savings is something quite beyond the control of the banks." (Taken from the 1939 Banking and Commerce Report, page 455.)



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5 7. This truth, which is contrary to the popular belief of banking, prompted me
6 to make a detailed study of our money and banking system and compile this brief.

7 8. A brief is of little value unless the statements in it are accurate.
8 I am prepared to substantiate all statements contained herein, using the Bank of
9 Canada Statistical Summary, the Canadian Bank Act and other legal documents
10 for this purpose.

11 9. Having learned that THE BANKS DO NOT LEND OUR DEPOSITS it raised a
12 very important question in my mind; HOW CAN THE BANKS AFFORD TO PAY US
13 INTEREST ON OUR DEPOSITS WHICH THEY DO NOT LEND? This appeared
14 paradoxical and raised another question in my mind; WHAT DO THE BANKS LEND?

15 10. In my studies I discussed, with a noted Canadian economist, the statement
16 which appears in Quick Canadian Facts, 16th edition, page 141; "The chartered
17 banks are required to keep a minimum of eight percent of their Canadian deposit
18 liabilities in the form of deposits with, and notes of, the Bank of Canada." This
19 eight percent of Canadian deposit liabilities is commonly called the cash reserves
20 of the chartered banks and hereafter in this brief will be referred to as cash
21 reserves. In a like manner the Canadian deposit liabilities will be referred to
22 as deposit liabilities.

23 11. The statement in Quick Canadian Facts is correct. It is derived from
24 sub-section one of section seventy-one of the Canadian Bank Act, as revised in
25 1954. THIS PROVISION IN THE BANK ACT ENABLES THE CHARTERED BANKS
26 TO LEGALLY CREATE OUR MEDIUM OF EXCHANGE CALLED MONEY, PAY US
27 INTEREST ON OUR DEPOSITS - WHICH THEY DO NOT LEND - AND OPERATE
28 AT A CONSISTANT PROFIT.

29 12. Having learned this, it was necessary to ascertain how the chartered banks
30 come into possession of their cash reserves and what makes up their deposit
liabilities.

13. Cash reserves are increased every time we deposit Bank of Canada notes
(Canadian currency) with the chartered banks. Cash reserves are also increased
every time the Bank of Canada purchases securities on the open market.



14. The purchasing of securities, Government of Canada or otherwise, by the banks are nothing more than the granting of loans. The securities (bonds or treasury bills) are the collateral which guarantee the repayment of these loans.
15. The deposit liabilities of the chartered banks consist of our personal savings plus bank loans and/or the purchase of securities by the chartered banks, which appear as deposits in someone's account.
16. To elaborate on the statement concerning cash reserves, let us consider the deposit of \$100.00 in Canadian currency with the chartered banking system. It increases the bank's supply of Bank of Canada notes by \$100.00 which constitutes a part of its cash reserves. THUS WE LEARN THAT EVERY DEPOSIT OF CANADIAN CURRENCY IN THE CHARTERED BANKING SYSTEM INCREASES THEIR CASH RESERVES BY AN EQUAL AMOUNT.
17. Now let us consider how the cash reserves of the chartered banks are increased when the Bank of Canada purchases Federal Government securities, be it bonds or treasury bills. This can best be understood when we realize that THE BANK OF CANADA IS EMPOWERED TO CREATE MONEY FOR THE PURCHASE OF SECURITIES AND THERE IS NO GOLD NEEDED TO BACK CANADIAN MONEY. When the Bank of Canada purchases Federal Government securities it pays for them by crediting the Government of Canada's account, at the Bank of Canada, with newly created money. However, the majority of the Government of Canada's money is kept on deposit with the chartered banks. Thus, this newly created money can be, and is, transferred to the Government of Canada's account with the chartered banks. The transfer, which takes place at the Bank of Canada, is from the Government of Canada's account to the chartered banks' account. This transfer increases the chartered banks' deposits with the Bank of Canada and raises their cash reserves by an equal amount. James E. Coyne, while governor of the Bank of Canada, made it very clear that the purchase of securities by the Bank of Canada increases the cash reserves of the chartered banks.
18. The cash reserves of the chartered banks are made up of money created by the Bank of Canada and deposited with the chartered banks by the Canadian people individually and collectively.



19. To elaborate on the statement of what makes up the deposit liabilities of the chartered banks; let us consider again the deposit of \$100.00 with the chartered banks. This appears as a deposit in someone's account and is part of their deposit liabilities. Now let us consider what happens when the chartered banks grant loans or purchase securities. The borrower puts up the collateral, which guarantees the repayment of the loan, and the bank credits the borrower's account with the amount of the loan. Thus bank loans, or the purchase of securities by the banks, increase the deposit in someone's account and are part of the banks' deposit liabilities. The strange thing is THE GRANTING OF A LOAN OR THE PURCHASE OF A SECURITY, BY THE BANKS, WHICH CREATES A DEPOSIT, NEVER LOWERS ANY OTHER DEPOSITS. SINCE OUR TOTAL MONEY SUPPLY IS MADE UP OF CURRENCY PLUS BANK DEPOSITS; IT NECESSARILY FOLLOWS THAT EVERY BANK LOAN, WHICH CREATES A DEPOSIT, INCREASES OUR TOTAL MONEY SUPPLY. (More of this will be mentioned later.)

20. While discussing Canadian banking, with other leading economists, the following was confirmed as being correct:

"The deposit of \$100.00 in Canadian currency, as a savings in the chartered banking system, increases their cash reserves by \$100.00. This increase in cash reserves enables the chartered banks to create and loan an additional \$1,150.00, which appears as a deposit in the borrower's account."

21. This expansion of bank credit by the chartered banks is affirmed in the Bank of Canada Statistical Summary and can be proven when the provisions of the Bank Act are applied. THE \$100.00 DEPOSITED IS THE 8% CASH RESERVE, REQUIRED BY LAW, OF THE \$1,250.00 DEPOSIT LIABILITIES INCURRED BY THE BANKS IN THIS TRANSACTION.

22. The one aspect of Canadian banking, which confuses most people, is the fact that banks cannot and do not lend our deposits. One of our leading Canadian economists verified this statement as follows:

"Supposing you deposited \$100.00 in Canadian Currency in the bank. This appears as a deposit in your account and is part of your assets. It is an asset of yours and a liability of the bank. Of course we all know banks cannot lend liabilities."

23. In my research I made a detailed study of the Bank of Canada Statistical Summary, particularly where it applies to the amount of money created by the



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4 Bank of Canada and the amount of credit created by the chartered banks. The
5 Summary verifies the fact that our personal savings, with the chartered banks,
6 are in excess of \$7,000,000,000.00. It also shows that the total amount of
7 legal tender in our country, including all currency, is approximately
8 \$3,000,000,000.00. THIS CAUSED ME TO WONDER WHAT WOULD HAPPEN
9 IF WE DECIDED TO WITHDRAW ALL OF OUR SAVINGS AT ONE TIME. This
10 appears to be another paradox. However, in view of the fact that the banks
11 cannot lend our deposits, we should be able to withdraw all of our savings at one
12 time.

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14 24. While discussing Canadian banking with an economic adviser of the Federal
15 Government, I asked the following question:

16 "How could the Canadian people hope to be able to get their savings
17 of \$7,000,000,000.00 from the chartered banks, providing they all
18 decided to withdraw them at one time, when there is less than
19 \$3,000,000,000.00 of Canadian currency in existence?"

20 25. He suggested that my answer to this question should come from the Bank
21 of Canada and arranged a conference for me with its research department.

22 26. The research department assured me my reasoning was correct: "MOST
23 OF OUR PERSONAL SAVINGS ARE NOTHING MORE THAN BANK CREDIT,
24 CREATED BY THE CHARTERED BANKS AND LOANED TO THE PEOPLE
25 INDIVIDUALLY AND COLLECTIVELY AT INTEREST. THE LOANS APPEARED
26 ORIGINALLY AS DEPOSITS IN THE BORROWERS' ACCOUNTS, BUT BECAUSE
27 OF BUSINESS ACTIVITIES, HAVE BEEN TRANSFERRED FROM THE
28 BORROWERS' ACCOUNTS TO OUR SAVINGS ACCOUNTS." They suggested
29 that further questions on money and banking could be put in letter form and
30 sent to the Bank of Canada.

21 27. The Bank of Canada has affirmed by letter, THAT BANK LOANS APPEAR
22 AS DEPOSITS IN THE BORROWERS' ACCOUNTS, WITHOUT LOWERING ANY
23 OTHER DEPOSITS. This confirms the statement made earlier, THAT EVERY
24 BANK LOAN INCREASES OUR TOTAL MONEY SUPPLY. Our total money supply,
25 of approximately \$15,000,000,000.00, is made up of currency plus bank deposits.

26 Let us consider the manner in which Graham Towers, when he was governor
27 of the Bank of Canada, explained the creation of money and/or bank credit, by
28 the chartered banks. On page 285 of the 1939 Banking and Commerce Report
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4 it is recorded that Mr. Towers agreed to the statement; that the chartered banks
5 do not lend money, but bank credit, a substitute for money. One of the questions
6 asked was: "THEN WE AUTHORIZE THE BANKS TO ISSUE A SUBSTITUTE FOR
7 MONEY?" Mr. Towers answered: "YES, I THINK THAT IS A FAIR STATEMENT
8 OF BANKING."

9 29. On page 79 in the Book "Understanding the Canadian Economy", which is
10 used as an authorized text in many Canadian schools, under the heading "The
11 creation of money by banks," the following appears:

12 "We have already learned that the most important kind of money is
13 credit. The most important kind of credit is the credit created out
14 of thin air by the banking system. Eighty percent of the volume of
15 business in Canada uses money that isn't there. Banks lend it out
16 of nowhere to people, and when it is paid back it returns to nowhere.
17 It can't be seen, yet it can make the difference between full
18 employment and mass unemployment. Most of the revenue of banks
19 is interest on money that does not exist."

20 30. Let us consider the expansion of bank credit, made possible and legal by
21 our Bank Act, and the profits the chartered banks can derive from such
22 transactions. This will be considered in three phases. First, the deposit of
23 \$100.00 in Canadian currency with the chartered banking system, and the gross
24 profit they can make on our savings. Second, the deposit of an old age pension
25 cheque with the chartered banks, and the expansion of bank credit this makes
26 possible. Third, the purchase of Federal Government securities by the Bank
27 of Canada and the chartered banks, as it happened in 1958.

28 31. As previously illustrated, the deposit of \$100.00 in Canadian currency with
29 the chartered banking system is sufficient cash reserve for the chartered banks to
30 create \$1,150.00 of bank credit and lend it to the Canadian people at interest.
This means that \$100.00 of Canadian currency on deposit with the chartered
banking system enables the chartered banks to collect interest on \$1,150.00 of
bank loans. When the \$3.00 yearly interest paid on the \$100.00 savings deposit
is deducted from the \$69.00 interest charged on the \$1,150.00 loan, we find that
THE CHARTERED BANKS CAN MAKE A GROSS YEARLY PROFIT OF \$66.00 ON
\$100.00 OF CANADIAN CURRENCY DEPOSITED WITH THEM FOR SAFE
KEEPING -- WHICH THEY NEVER OWNED IN THE FIRST PLACE.



32. What happens when a senior citizen deposits his, or her, pension cheque with the chartered banking system? The \$55.00 appears as a deposit in the elderly person's bank account and INCREASES THE CASH RESERVES OF THE CHARTERED BANKS BY \$55.00, FOR ALL OF THESE PENSION CHEQUES ARE CLEARED THROUGH THE BANK OF CANADA. The transfer which takes place, at the Bank of Canada, is from the Government of Canada's account to the chartered banks' account. This transfer increases the deposits of the chartered banks with the Bank of Canada, without lowering their supply of Bank of Canada notes. Since the cash reserves of the chartered banks are made up of deposits with, and notes of, the Bank of Canada, the deposit of a \$55.00 pension cheque with the chartered banking system increases their cash reserves by an equal amount. This increase of \$55.00 in the cash reserves of the chartered banks enables them to create an additional \$632.50 of bank credit and lend it to the Canadian people at interest.

33. Our total money supply was increased by approximately \$1,600,000,000.00 in the twelve month period ending October 1958. This increase was in the form of extra money needed to purchase additional direct and guaranteed funded securities of the Federal Government. The majority of these securities were Government of Canada bonds. The investing public outside the banks were reluctant to purchase these securities. Thus the Bank of Canada commenced to purchase a percentage of the Government of Canada bonds. Since the purchase of securities by the Bank of Canada increases the cash reserves of the chartered banks; the action taken by the Bank of Canada, in this instance, increased the cash reserves of the chartered banks sufficiently for them to increase their bank credit by \$1,300,000,000.00 and purchase the remainder of the Federal Government direct and guaranteed funded securities, by merely increasing the figures in their own ledgers. CANADIANS ARE BEING TAXED IN EXCESS OF \$40,000,000.00 PER YEAR TO PAY THE INTEREST ON THESE SECURITIES PURCHASED BY THE CHARTERED BANKS, WITH CREDIT CREATED OUT OF THIN AIR.

34. We are being taxed in excess of \$800,000,000.00 per year to pay the interest on our national debt, which has been incurred over the years because



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4 of our imperfect money and banking system. Approximately fourteen cents out
5 of every tax dollar we pay to the Federal Government, whether it be direct or
6 indirect taxation, is used to pay the interest on this debt.

35. Our total money supply comes into existence in the manner which has been
7 put forth. WE CANADIANS, INDIVIDUALLY AND COLLECTIVELY, ARE
8 PAYING INTEREST TO THE CHARTERED BANKS ON APPROXIMATELY 80% OF
9 OUR TOTAL MONEY SUPPLY, WHICH THEY, THE CHARTERED BANKS,
10 CREATED OUT OF THIN AIR BY WRITING FIGURES IN THEIR OWN BOOKS.

I would like to mention here that IT IS NOT THE CHARTERED BANKS WHICH
11 ARE AT FAULT. THEIR CREATION OF MONEY AND/OR BANK CREDIT IS
12 LEGAL IN CANADA. IT IS THE BANKING SYSTEM ADOPTED BY OUR FEDERAL
13 GOVERNMENT WHICH IS WRONG. OUR PRESENT BANKING SYSTEM CAN AND
14 SHOULD BE CHANGED.

36. According to section #91 of the British North America Act THE FEDERAL
15 GOVERNMENT HAS THE RIGHT, AND IT IS THEIR RESPONSIBILITY, TO CREATE
16 OUR MONEY AND REGULATE OUR BANKING SYSTEM. IT IS QUITE EVIDENT
17 THAT THE PRESENT BANKING SYSTEM HAS FAILED TO SERVE THE BEST
18 INTERESTS OF THE CANADIAN PEOPLE.

37. The imperfections in our present money and banking system, and the
19 corrections which could, and should, be made in the same, are better understood
20 when we consider the following facts pertaining to economics:

- 21 (A) "A money system is good and without it we could not have reached
22 the standard of living that we now enjoy."
- 23 (B) "Money has but one function, to assist in the distribution of materials
24 from the producer to the consumer, either now or at some time in the
25 future."
- 26 (C) "The only reason for production is consumption."
- 27 (D) "The consumer is equally as important as the producer, for without
28 consumption there is no need for production."
- 29 (E) "Money is but a medium of exchange and in itself has no real value."
- 30 (F) "It is the production of our country which gives our money its real
value."
- (G) "To have a balanced economy the amount of money in circulation
(money times velocity) must be equal to the production of our country."



(H) "Money, the life blood of our nation, has to be in circulation to perform the function for which it was created."

(I) "The purpose of society is to gather collectively, for consumption individually, the product of our intellectual, inherited and natural resources."

38. Our money and banking system should be based upon the economic formula: "MONEY TIMES VELOCITY EQUALS PRICE TIMES TRANSACTION." To put it in simpler terms: "THE AMOUNT OF MONEY IN CIRCULATION SHOULD BE EQUAL TO, AND DETERMINED BY, THE DESIRABLE AND FOR SALE PRODUCTION OF OUR COUNTRY." THE BANK OF CANADA, OUR CENTRAL BANK, SHOULD BE THE SOLE CREATOR OF OUR MEDIUM OF EXCHANGE CALLED MONEY.

39. I have been assured by other leading economists that the Bank of Canada can carry out the tasks it would be called upon to perform, when the following proposed changes are made in our Canadian Bank Act.

40. The Federal Government should amend the Bank Act and bring the chartered banks to operate on 100% cash reserve. The change from 8% to 100% cash reserve will have to be done progressively over a period of time to maintain a stable economy. WHEN THE CHARTERED BANKS ARE OPERATING ON 100% CASH RESERVE THE BANK OF CANADA WILL BE THE SOLE CREATOR OF OUR TOTAL MONEY SUPPLY.

41. Canadians operating within a competitive free enterprize system, wherever possible, should determine the production of our country. The Bank of Canada, working in co-ordination with the Federal Government, should issue our total money supply. The supply should be regulated so that the amount of money in circulation (money times velocity) would always be equal to the desirable and for sale production of our country. This would guarantee Canadians a balanced economy.

42. Lest anyone has the thought that these proposed changes would allow the Federal Government or the Bank of Canada to turn on and off our money supply at will, and possibly cause conditions of worthless money, it should be emphasized, THAT WHEN THE PROPOSALS IN THIS BRIEF ARE IMPLEMENTED, IT WILL BE THE PRODUCTION OF OUR COUNTRY WHICH WILL DETERMINE OUR MONEY



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4 SUPPLY. The Federal Government and the Bank of Canada will simply be
5 administering this portion of our affairs. IN ORDER THAT WE CANADIANS HAVE
6 TRUE DEMOCRACY ALL MONEY CREATED BY THE BANK OF CANADA SHOULD
7 BE DISTRIBUTED AS DIRECTLY AS POSSIBLE TO THE CANADIAN PEOPLE.
8 THIS DISTRIBUTION SHOULD BE DONE IN ACCORDANCE WITH THE WILL OF
9 THE PEOPLE. THE FEDERAL GOVERNMENT COULD, AND SHOULD, OPERATE
10 ON A PAY AS YOU GO BASIS BY MAKING THE PROPOSED CORRECTIONS IN OUR
11 PRESENT BANK ACT.

12 43. When the Federal Government implements these changes in our money and
13 banking system, we will have economic freedom, which was the main objective
14 of Sir John A. MacDonald. We will have control of the issue of our currency and
15 credit and able to enjoy true democracy along with sovereignty of parliament,
16 as was suggested by the late Right Honourable MacKenzie King.

17 44. Last, but not least, when these changes are made, MONEY WILL BECOME
18 OUR SERVANT INSTEAD OF OUR MASTER.

19 45. I deem it a privilege to have been able to present this brief to the Royal
20 Commission set up by the Right Honourable John Diefenbaker to re-evaluate our
21 present money and banking system.
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To
The Honourable Dana Harris Porter
Chief Justice of Ontario
Chairman, Royal Commission on Banking and Finance.

We, the British-Israel-World Federation (Canada) Inc., a Christian, non-denominational and non-political Lay Body representing a World-Wide Movement with National Units throughout the British Commonwealth of Nations and the Anglo-Saxon World, desire to respectfully submit the following suggestions relative to monetary and financial affairs which, if put into operation, would bring about the solution of the many grave problems engaging the attention of Governments and to which you are now giving special attention on behalf of Canada.

OBJECTIVES - The objects of the Federation are fully set forth in our Membership Application Form, a copy of which is appended. In brief we are teaching the National Message of the Bible which is the Gospel of the Kingdom of God on earth and which includes the complete and perfect Economic System laid down by Almighty God to be administered as the National Law. Our immediate objective is to educate the General Public in the Truth of the Scriptures and to arouse sufficient Public Opinion as to cause the Government of Canada to set up a Royal Commission to thoroughly investigate these Laws. Our ultimate objective is to have these Laws administered as the National Law.

MEMBERSHIP - Our Membership is open to, and is made up of Christian people regardless of denominational affiliation and which Membership does not in any way interfere with, nor prejudice their Membership in the Church of their own choice.

SUMMARY -

1. Whereas the nature of the contents of this Brief may appear to some as being rather unusual, if not surprising, we shall quote two eminent authorities in their respective fields of research.

BLACKSTONE - The recognized authority on jurisprudence. "This law of nature, being coeval with mankind and dictated by God Himself is, of course, superior in obligation to any other. It is binding over all the Globe in all countries and at all times. no human laws are of any validity if contrary to this; and such of them as are valid derive all their force, and all their authority, mediately or immediately from this original. This has given manifold occasion for the benign interposition of divine Providence, which, in compassion to the frailty, the imperfection, and the



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3 blindness of human reason, hath been pleased at sundry times and in divers manners,
4 to discover and enforce its laws by an immediate and direct revelation. The doctrines
5 thus delivered are called the revealed or divine law, and they are to be found only
6 in holy scripture.

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8 2. **J TAYLOR PEDDIE** - The well-known British Economist. "I was told in my younger
9 days that the Economic Laws of God were formulated for a primitive people, and that
10 they were of no practical value for present-day purposes. In view of this, I was
11 naturally astonished to find that the monetary law necessary to cure the world of its
12 ills were fully outlined in the Law and the Prophets, and that the promises which God
13 made to Israel could have been realized in full measure had His Laws, Statutes and
14 Commandments been obeyed. I will go further and say that God's promises could be
15 realized in full measure today if His Law were made effective."

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17 3. The statements in this Brief are based upon the premises that as a nation we
18 recognize the Ten Commandments as the fundamental basis of moral conduct, and
19 that our Common Law is based upon these Commandments and the Statutes and Judgments.

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21 4. When the Commandments were given Statutes and Judgments were also laid down for
22 National observance and administration. Taken in their entirety they constitute a
23 Spiritual, Moral, Financial, Economic and Political System which is Perfect because,
24 in actuality they are the Natural Laws of the Universe, not one of which can be
25 ignored or violated with impunity. They will hereafter be referred to as **The Divine**
26 Economic System which is capable of meeting the requirements of any age, at any time,
27 under all circumstances and in any place

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29 5. Included in the **Divine Economic System** are the principles dealing with the
30 monetary and financial structure in all of its phases and the method by which poverty
and privation may be eliminated. It however, must be understood that the remaining
principles of the System are vitally important to the proper functioning of the System
and that merely to solve the problem of the monetary and financial structure is not
sufficient to cure the economic ills of our present system

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2 6. The promises to which Mr. Peddie refers can be briefly summarized as follows: If
3 our nation will administer the **Divine Economic System** as the National Law we are
4 guaranteed on the Oath of Almighty God, **permanent peace, perfect health, social**
5 **security, and prosperity beyond our wildest dreams**. We believe that promises of such
6 surpassing magnitude are worthy of the closest possible consideration and study. We
7 therefore respectfully urge that this Commission seriously investigate the monetary
8 and financial laws with the view that recommendations be made to the Government for
9 their adoption as the National Law, or, at least to recommend that a Royal Commission
10 be established to thoroughly investigate the entire **Divine Economic System** with the
11 view to its instatement as the National Law of Canada

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13 7. There are five main financial laws in the **Divine Economic System** which we are
14 commanded to obey, every one of which is recognized in Principle by our Government but
15 have all been corrupted in their application thus imposing a burden of debt upon



Governments and people generally recognized as being impossible of payment. These Laws are quoted in full in the main body of this Brief in the Paragraphs enumerated and are enlarged upon with supplementary Laws in the 6 booklets outlining the entire Divine Economic System.

- (a) To create a Standard Measure of Value (Paragraph 16, Page 4)
- (b) To abolish the Interest System (Paragraph 23, Page 5)
- (c) To cancel all debts every seventh year (Paragraph 31, Page 6)
- (d) To recognize the Income Tax as the only legal tax (Paragraph 37, Page 7)
- (e) To lend freely for all legitimate purposes (Paragraph 46, Page 8)

8. We have an invariable Standard of Weights and Measures but the same Law demands a Standard Measure of Value which we ignore. Our Yardstick is always 36 inches - our Quart is always 40 ounces. They never shrink or stretch in days of prosperity or in depression. But our money which is popularly, but erroneously, considered to be both 'wealth' and a Standard of Value, is not stable. It shrinks and stretches in value.

9. We recognize the Divine Law which prohibits usury, but in this case we have falsified the meaning of the word by changing it to mean 'an illegal rate of interest'. The Divine Law plainly prohibits an increase of any kind on anything that is loaned. Aristotle is credited with defining usury as "Any money profit derived solely from the manipulation of money unaccompanied by any productive effort." It will be observed that there is a sharp line of demarcation between 'interest' and 'dividends' which latter might be described as 'a share of the profits arising from productive enterprise'.

10. 'The Statute of Limitations' is a clear recognition of the Divine Law which calls for the cancellation of debts every seven years. The Law should be applicable to all debts and not with the provisos which are incorporated in our present law.

11. Our Government recognizes the Divine System of Taxation in reverse for our present method allows deductions from Income Tax up to 10% of one's Income for money given for Ecclesiastical and Charitable purposes. The Divine System calls for an average of about 15% of every citizen's Income to be paid into the National Treasury. There are no other taxes permissible.

12. In the Bank of Canada Act, the National Housing Act; the Industrial Development Bank; and the Central Mortgage and Housing Corporation, the necessary machinery has already been established whereby debt-free money can be issued and the Divine Law of lending freely for all legitimate purposes without interest can be inaugurated. A reasonable Service Charge could be made to cover the actual expenses involved in such a Lending System.

13. The Government of Canada having asserted and put into practice its indisputable duty and right to manufacture and control the currency of the nation, the next logical step is to issue debt-free money in accordance with and in proportion to the National Productive and Consumptive capacity of our people.

END OF SUMMARY



MONETARY AND FINANCIAL REFORM

14. If our nation is ever to have economic and social justice - if we are ever to have Permanent Peace, Perfect Health, Social Security and genuine Prosperity - then our monetary and financial laws must be brought into harmony with the Natural Laws of the Universe governing such matters. These Laws are contained in the Divine Economic System. To conform to these Laws our present monetary and financial structure must be completely overhauled. A major operation is necessary.

15. It has been truly said that the defects which exist in national economic systems cannot be cured directly through monetary action alone, but equally it can be said with certainty that no economic action can succeed without monetary action. But what kind of monetary action? We submit that the answer to all of our monetary and financial problems and ills is to be found in the five main financial laws of the Divine Economic System, the Principles of which we shall deal in the following pages of this Brief.

It must be understood however that we here state the basic principles, not the detail of operation, and with minimum arguments to substantiate the principle.

THE DIVINE LAW - STANDARDS OF WEIGHTS, MEASURES, VALUE

16. "Thou shalt not have in thy bag divers weights, a great and a small. Thou shalt not have in thy house divers measures, a great and a small. But thou shalt have a perfect and just weight, a perfect and just measure shalt thou have: that thy days may be lengthened in the land which the Lord thy God giveth thee. For all that do such things, and all that do unrighteously, are an abomination unto the Lord thy God." (Deuteronomy 25:13-16) "A false balance is abomination to the Lord: but a just weight is his delight." (Proverbs 11:1)

17. Our Government has recognized the importance of this Law by the establishment of the Bureau of Standards insofar as Weights and Measures are concerned, but here the recognition of the importance of the Law terminates. This Law plainly demands a Measure of Value for, without which, it is impossible to stabilize all the subsidiary weights, balances and measures, or to bring about a wide and equitable distribution of wealth, which is essential if poverty and destitution are to be removed.

18. God's chief complaint against Israel and Judah was, and is, that they made the Ephah small and enlarged the shekel, thereby falsifying all weights, balances and measures by deceit, and He objected to the oppression, extortion, and excess which arose therefrom. ALL weights, balances and measures should be stabilized and controlled by Master-Measures, in order that the poor might not be robbed, and that economic justice might be distributed in the widest possible way. His regulations were designed to the end that there should be no poverty and destitution within the gates of our economic system.

19. God's full case against Israel because of neglect to establish a Standard Unit of Value is found in Amos 8 4-6. "Hear this, O ye that swallow up the needy, even to make the poor of the land to fail, Saying, When will the new moon be gone, that we may sell corn? and the Sabbath, that we may set forth wheat, making the ephah small, and



1
2 the shekel great, and falsifying the balances by deceit? That we may buy the poor for
3 silver, and the needy for a pair of shoes yea, and sell the refuse of the wheat?"

4 **MONEY IS NOT WEALTH - NOR A MEASURE OF VALUE**

5 20. Wealth cannot be measured in terms of gold, or silver, or money, but is represent-
6 ed by Natural Resources, the product of the Field, Forest, Mines, and Water, and the
7 Labour of men, but it must be remembered that Natural Resources and the products of
8 the Soil, are but potential wealth. They do not become real wealth until man's
9 labour has been applied to their development.

10 **The Wealth of a Nation consists of Goods and Services Produced and Provided by Man**

11 21. The popular idea of Money being regarded as Wealth is an heirloom of the defunct
12 Gold Standard System when our Monetary System was based on gold. But money was
13 created by man to be used as a servant - as a convenient means for the exchange of
14 wealth - for the exchange of goods and services. **The Medium of Exchange should never**
15 **have an intrinsic value and the Medium of Exchange cannot be regarded as a measure of**
16 **value** Because Money has been regarded as wealth and the basis of value, our present
17 system has imposed a burden of debt upon Governments and People, from which, under
18 this system, or any other man-made scheme, there can be no escape.

19 22. The Divine Economic System provides for the recognition of **Goods and Services as**
20 **the Standard of Wealth** against which the Medium of Exchange shall be issued. The
21 Medium of Exchange should only have a representative value for a limited period of
22 time after issue, certainly not to exceed the Seventh Year when, of necessity adjust-
23 ments would be needed to conform to changes in the National Product. A Standard of
24 Value must be worked out and put into effect by agreement based upon the man-hours
25 required to produce the Goods and Services which make up our Gross National Product.

26 **THE DIVINE LAW - FINANCING WITHOUT INTEREST - INTEREST SYSTEM PROHIBITED**

27 23. "And if thy brother be waxen poor, and fallen in decay with thee; then thou
28 shalt relieve him, yea, though he be a stranger, or a sojourner, that he may live with
29 thee. **Take thou no usury of him, or increase** but fear thy God that thy brother may
30 live with thee. **Thou shalt not give him thy money upon usury, nor lend him thy**
31 **victuals for increase.**" (Leviticus 25 35-37) For further statements concerning the
32 prohibition of usury (or interest) read Exodus 22 25, Deuteronomy 23 19,20, Nehemiah
33 5:7,10, Isaiah 24 2, Jeremiah 15 10.

34 **DEFINITION OF USURY**

35 24. Cruden's Complete Concordance defines Usury thus "By usury is generally
36 understood in the Bible any interest on a loan, whether in money or in wheat or other
37 commodities Modern usage has confined the meaning of the word to an unlawful
38 interest." Aristotle is credited with defining usury as "Any money profit derived
39 solely from the manipulation of money unaccompanied by any productive effort."

40 25. **Interest and Profits** should not be confused. A reasonable profit on the sale of
41 goods and services is legal. Money can be invested in a business and a share of the
42 profits withdrawn in dividends in proportion to the amount invested.



JESUS CHRIST CONDEMNED USURY

26. Many people declare the Christ approved the Interest System and they quote part of the Parable of the Talents and the Pounds as found in Matthew 25 14-30 and in Luke 19.11-27. The whole Parable should be read and it will be found that profit-taking by trading was approved but Interest or Usury was scathingly condemned. To try to show that Jesus approved of Interest it will be necessary to prove that He was a hard man, reaping where He did not sow gathering where He did not straw. In other words, trying to get something for nothing at the expense of the labour of others.

27. The early Christian Church was persecuted largely for preaching the Word of God against Interest. All of the Apostolic Fathers condemned the taking of Interest. Chrysostom said 'Nothing is baser in this world than interest, nothing more cruel.' By the Laws of Edward the Confessor, the interest-taker forfeited all his property and was declared an outlaw and banished from England. Attorney General Noy, in the reign of James 1st, thought the taking of money by interest was no better than taking a man's life. He said 'Interest takers are well ranked with murderers.'

28. An examination of history will show that every large empire of the past crashed largely due to the Interest and Debt system and that no empire of the past endured for much more than 300 years on such a system. Interest was legalized in Britain a little less than 300 years ago, and with its legalization there came into being the National Debt.

29. Canada's Gross Public Debt now stands at approximately 30 billions of dollars and the annual debt charges are now roughly one billion of dollars. Private debts, with Interest charges running as high as 35% per annum are virtually incalculable. Despite our boasted 'prosperity', the so-called 'Small Loan Companies' are reaping a harvest at the expense of the miseries of millions of Canadians who are living on a hand-to-mouth basis. Canada's Interest Bill on Public Debt Account alone equals or exceeds the entire value of our whole wheat crop if wheat is valued at \$2.00 per bushel.

30. Our forefathers in inaugurating legalized interest have passed on to us a burden and a curse which we in turn add to, and pass on to our children as an inheritance.

THE DIVINE LAW - CANCELLATION OF DEBTS - THE LORD'S RELEASE

31. "At the end of every seven years thou shalt make a release. And this is the manner of the release. Every creditor that lendeth ought unto his neighbour shall release it; he shall not exact it of his neighbour, or of his brother, because it is called the Lord's release." Deuteronomy 15 1,2.

32. One of the reasons for this Law, the Margin of the Bible states, is 'To the end that there be no poor among you. Because of our disregard of this Law, Jesus could rightly say to the Leaders of His Day 'For the poor ye have always with you.' (Matthew 26.11) He did not say, as so many people misquote, 'You will always have the poor with you.' Re-instate the Divine Laws and there will be no poor.

33. It is because we have not obeyed this Law of Release that the world is staggering under a load of debt impossible of payment and the debt charges are robbing the people



of the fruits of their labour. With Public Debt in Canada now standing at roughly 30 billions, and with a population of 17 millions, it means that every man, woman and child is in debt to the extent of more than \$1700 00, or, to put it another way, it means that every child born in this country today starts off in life with a millstone of debt tied around its neck to the tune of \$1700.00. What an inheritance we are passing on to our children!

34. It must be understood that the main principle of this Law of Release is that at the end of every seven years, all debtors are released from their indebtedness, and God as the Head of the Theocratic State guarantees to refund the creditors. When this Law is administered, along with all the rest of the Divine Law, there will be an automatic partial re-distribution of wealth every seven years, and a fresh start with a clean slate for all individuals

35. Cancellation of Debts does not mean Repudiation. We must learn how to cancel debts one against another for it must be recognized that for every dollar owing to someone, there is a dollar owed by someone. Most accounts would cancel out against another account

36. Obedience to this Law would release billions of frozen dollars for immediate circulation. Hoarding would cease. Spending would be encouraged. Factories would run at full blast to supply the demand for all necessities and luxuries. There would be no depressions, no unemployed, no poor, and no relief offices. Misery, want, anxiety, squalor, slums, would be no more.

THE DIVINE LAW - TAXATION - WITHOUT OPPRESSION OR CONFISCATION - THE TITHE

37. "Return unto me, and I will return unto you, saith the Lord of hosts. But ye said, Wherein shall we return? Will a man rob God? Yet ye have robbed me. But ye say, Wherein have we robbed thee? In tithes and offerings. Ye are cursed with a curse, for ye have robbed me, even this whole nation. Bring ye all the tithes into the storehouse, that there may be meat in mine house, and prove me now herewith, saith the Lord of hosts, if I will not open the windows of heaven, and pour you out a blessing, that there shall not be room enough to receive it." Malachi 3 7-10.

38. The only legal system of taxation recognized by Almighty God is the Income Tax - only one single tax based upon Income. In Scripture it is known as the tithe. There are no other taxes. Under our present system everything is taxed. This results in confiscation of property and impoverishment of the people. Part of our present taxation is based on Property Values regardless of the return in the form of income or increase from the said properties - hence a sense of insecurity is developed and the people become impoverished. This form of taxation also creates slum conditions for all improvements made to the property brings increased taxation while conversely, a property allowed to deteriorate has its taxes reduced.

39. A proper taxing system must have certain absolutely necessary features. It must (1) provide security, it must (2) be equitable, (3) it must be just; and (4) it must be sufficient. No nation on earth today operates a taxing system that fully covers all these points.



40. Under the Divine Economic System we find a form of taxation which is (1) equitable (2) non-confiscatory; and which (3) ensures security of tenure; and which (4) would be sufficient for all necessary governmental expenditures when every person in the nation is contributing on the basis of income.

41. What is known as The Whole Tithe is 10% of one's income, but in addition there is the Tithe of First-fruits, and various other Tithes and Offerings. The total General Taxation under the Tithing Laws would average about 15% of one's income, and under no circumstances would anyone pay more than 20%. Those who had accumulated much greater wealth than the average would pay the extra 5%. Here are some references concerning the Tithing Laws. Genesis 28:22; Leviticus 27:30-32; Numbers 18:21; Deuteronomy 14:28,29, Deuteronomy 26:2; Leviticus 19:19; Deuteronomy 16:15; Proverbs 3:9,10.

42. Many think that the Tithe was paid to the Church for Ecclesiastical purposes only, but this is not so as even a very casual reading of the Tithing Laws will show. The 'Whole Tithe' was paid into the custody of the Levites (who performed the functions of our modern Civil Service) and they in turn were charged with paying one-tenth of the Whole Tithe to the Ecclesiastical Organization within the nation.

43. For 1961 Canada's Gross National Income is estimated at about 37 billions of dollars. Total Governmental Expenditures of all of Canada's taxing authorities; Dominion, Provincial and Municipal, for 1962 is estimated at approximately 10 billions. This figures out at roughly 30 percent of our Income, or twice as much as the Divine Taxing System requires.

44. If the Divine Economic System was administered as the National Law, genuine prosperity would flourish and our National Income would be at least doubled. On the basis of one single tax of 15% this would bring more than \$11 billions into the National Treasury which would be the sole taxing authority and the money would be disbursed to the Provinces and Municipalities according to their requirements.

45. With the Interest System abolished there would be an annual saving of roughly one billion of dollars in Debt Charges, and by taking the Word of God at Face Value concerning Peace and Safety there would be another saving of a billion and a half on what is called 'National Defence'. Other savings in governmental expenses would bring the total up to at least 3 billions, thereby leaving a surplus of income over expenditures (at the present rate) of some 4 billions of dollars.

THE DIVINE LAW - LENDING FREELY FOR ALL LEGITIMATE PURPOSES

46. "If there be among you a poor man of one of thy brethren within any of the gates in thy land which the Lord thy God giveth thee, thou shalt not harden thine heart, nor shut thine hand from thy poor brother, But thou shalt open thine hand wide unto him, and shalt surely lend him sufficient for his need, in that which he wanteth. Beware that there be not a thought in thy wicked heart, saying, The seventh year, the year of release is at hand; and thine eye be evil against thy poor brother, and thou givest him nought; and he cry unto the Lord against thee, and it be sin unto thee. Thou shalt surely give him, and thine heart shall not be grieved when thou givest unto him



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because that for this thing the Lord thy God shall bless thee in all thy works, and in all that thou puttest thine hand unto." Deuteronomy 15:7-10.

47. Christ said, in Luke 6:34 "If ye lend to them of whom ye hope to receive, what thank have ye? for sinners also lend to sinners, to receive as much again . . . lend, hoping nor nothing again; and your reward shall be great."

48. In order to bring our National Laws into harmony with the Will of God, a system of lending for all legitimate purposes must be worked out on an equitable basis without interest. Great Public Works must be undertaken with debt-free money Private enterprise must be encouraged. The poor and hungry must be fed, clothed and housed. Not in a niggardly fashion, but with an open hand. Homes must be provided for every family - without mortgages. This is not pure altruism for in so doing we enlarge the number and the value of opportunities for ourselves and for our fellow-citizens. We increase the general well-being, security, happiness and prosperity for the entire nation.

